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Banking Practices Reviewed

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IRAN:
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CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

* RESALAT Solicits Comments From Officials on Banking 1
  * Ayatollah Azari-Qomi *[31 Aug]* 1
  * Engineer Khamushi *[1 Sep]* 5
  * Ayatollah Naser Makarem-Shirazi *[2 Sep]* 6
  * Engineer Rajab'ali Taheri *[4 Sep]* 9
  * Ayatollah Rezvani *[6 Sep]* 11
  * Mohammad Hoseyn Kazemi Namin *[7 Sep]* 15
  * Professor Morteza Khatami *[8 Sep]* 16
  * Hojjat ol-Eslam Gholamreza Mesbahi *[9 Sep]* 19
  * Hojjat ol-Eslam Dari-Najafabadi *[11 Sep]* 22
  * Dr Ahmad Mojtahed *[12 Sep]* 24
  * Engineer Saberi *[13 Sep]* 26
* 'Asgar Owladi Editorial on Banking Matters *[RESALAT 4, 6, 7, 8, 9 Sep]* 28
* Hoseyn Abrand-Abadi Comments on Usury Versus Interest *[RESALAT 15, 18 Sep]* 33
* Distribution of Credit by Banking Sector *[RESALAT 14 Sep]* 35
* Operations of Gilan Province Agricultural Bank Detailed *[RESALAT 3 Sep]* 36
* Computer Network To Serve Country's Banks *[RESALAT 9 Sep]* 37

* RESALAT Solicits Comments From Officials on Banking

* Ayatollah Azari-Qomi

93LA0236A Tehran RESALAT in Persian
31 Aug 93 pp 3, 15

[Interview with Ayatollah Azari-Qomi by RESALAT; place and date not given]

[Text] Economic Division. Simultaneous with the anniversary of the ratification of the law on interest-free banking operations and Islamic Banking Week (10-17 Shahrivar 1372 [1-8 Sep 1993]), RESALAT has solicited comments about existing banking operations and hereby announces its readiness to publish the opinions of the people, experts, operators of the banking system, and officials of various economic sectors. In the course of these comments, issues concerning familiarity with authentic Islamic culture in regards to banking, propagation of an interest-free loan ethic, adjusting the existing system to the lofty rules of Islam, procedures for the implementation of Islamic contracts, the difficulties of and obstacles to a precise implementation of the interest-free banking operations law, and the level of familiarity of the personnel of the banking network with Islamic instructions will be examined and discussed. In this connection, an effort will be made to analyze the issue from various angles and place the banking system at the expected level, at the service of the goals of the sacred regime of the Islamic Republic. Below we call to the attention of the reader these comments.

Difference Between the Islamic Banking System and an Interest [Based] System

Ayatollah Azari-Qomi first spoke on the nature of banking in Islam and, considering that it is quite different from what is currently practiced in the world today, said: The capital of the bank is money, which, through lending or investment, in addition to the principle, attracts some other amount in return. But if this amount is not gained through investment or lending, it can no longer be called banking, because the bank is founded on increases. He said: Islam opposes this method, because the foundation of banking in the Western world is on "increases." Islam quite opposes the common concept of banking today, and this method cannot be mixed with Islam. If interest-free lending is not employed in the society in its true sense, the result will be inflation, because the person who has borrowed money from the bank as capital, uses it in production, and must pay his monthly installment along with interest to the bank, which is his partner, on the due date will have to sell his goods at a higher price in order to do so. The result is that the goods of the producer will not sell because of the high price, which will cause losses for the producer and decreased investment.

He continued: Say the goods of a person whose capital in the form of an interest-free loan cost 100 rials [Rls], the same goods for the person who uses the same production method but has borrowed money with interest will cost Rls150. Hence, for all producers to borrow money in this way will cause inflation. In addition, the opportunity for investment by others will be blocked, because the production of goods will stop, due to the high cost and low purchasing power of the people. In this case, the production agency will be obliged to dismiss its workers to repay the principle and the interest on the capital on the due date.

He pointed out: Based on the opinion of an expert of the Ministry of Economic Affairs and Finance, in 1371 [21 March 1992-20 March 1993], the level of investments decreased by 7 percent.

This is one of the reasons for the existence of such problems.

Necessities and Requirements of Islamic Transactions and Contracts in Religious Jurisprudence

Ayatollah Azari-Qomi pointed to the issue of the change in the nature of contracts as a result of the change in words in religious jurisprudence and prohibited practices becoming permissible and added: According to the decree of the late Imam, if in a transaction there is actual buying and selling and not merely the exchange of words, there is no problem. The main problem is when both sides are not committed to the necessity of purchase transactions in the banks. According to religious law, conditions are set for purchasing. For example, if in a transaction the term purchasing is used today, the transaction cannot be canceled tomorrow. But if the term gift is used, the transaction can be canceled.

Hence, all religious contracts have a series of requirements and effects, which cannot be used in the framework of terminology alone. Rather, these are all facts, the effects of which have been determined by sacred religious law. He added: An infallible imam was asked about usury. He responded, "Dirhams for dirhams." These facts have nothing to do with terminology, even if it is said that I sold these 5 dirhams and bought those 6 dirhams.

Prizes for Interest-Free Loan Accounts

Concerning the prizes for interest-free loans of the banks from a religious jurisprudential standpoint, he said: Based on the opinion of religious scholars, in general, if I grant an interest-free loan to someone and know that that person will return the principle plus an additional amount, this is allowed, and there is no problem, provided I, as the lender, do not demand it. In other words, if additional money is paid to me without conditions, there is no problem, based on sacred religious law, even if the motivation is to gain this additional amount. But there will be no reward in the next world. However, if the condition is made, that is, I lend with demands and the borrower feels obliged, that is prohibited. So, conditions need not be mentioned. He explained: The bank forms for interest-free loan deposits state that prizes or profits

shall be paid without condition. If the depositor considers himself deserving of the prize or the profit, even if this sentence is not stated at the time of the contract, it will remain unlawful, because the basis of the transaction or the lending is to receive money or a prize. It is like a traveler who knows that he will not stay in one place more than three days, but performs his prayers fully, as though he were staying 10 days. Because he knows that he has made this supposition wrongly, it is forbidden. In regards to interest-free loan prizes, as well, if transactions are handled in this manner, it is forbidden.

Limited Partnership and Its Requirements

Concerning limited partnership contracts and the obligation of both sides to observe its requirements on the basis of Islamic rules, Ayatollah Azari-Qomi pointed out: Limited partnership is a bilateral agreement. In other words, if one side makes a condition, no right is created. During the time of the tyrant, the late Imam said that if a person went to the bank and got a loan with interest but did not intend to get interest, there was no problem, because internally he did not intend to get interest. Hence, in limited partnership, both sides must in actuality, and not in words alone, be obliged to the conditions of the contract, which is most often not the case.

Concerning limited partnership contracts and the partnership of banks in profit making and not accepting losses, he said: If the bank announces explicitly that it is a partner in profits and not in losses, according to the decree of the Imam, the transaction is nullified. But if the person who receives the money states that he will accept any loss to the principle and will deposit in the bank account the "equivalent of the loss," or the equivalent of the loss to the bank is the obligation of the borrower, some scholars, even the Imam, consider this permissible. But if it is interpreted in actuality that the bank says that it is only a partner in profits, since a limited partnership is a permissible contract, even if a third contract is necessary, it is disallowed. If the bank says that it is a partner in profits, but if the losses of the investor are equivalent to those of the debtor, in the opinion of the Imam, there is no problem. In my opinion, it depends on the condition that is made upon the signing of the contract, and it is disallowed, even if we change its name and call it the equivalent of a loss.

Collecting Late Penalty Is Usury

A member of the Society of Teachers of Qom Seminary, referring to late penalties, which some banks collect from investors because their installments are paid late, said: This is a kind of usury, and all scholars have unanimously issued their opinion that it is forbidden.

The problem in this change of terms from interest to late penalty is that a person must pay interest for the period of time that he postpones payment. While the borrower, for intentionally being late in paying his debt, has committed a sin, he must go to the court, and the court will punish this individual if it finds him in violation. The penalty is imprisonment, lashes, and fines. Hence, the bank does not have the right to set the penalty for late payment from the beginning. The individual may not be guilty, and the sacred religious law states, "If a person is under financial pressure, he must be given time to be able to pay his debts," because when there is mention of time, the money is considered interest.

He continued: On the issue of penalties, which we call punishment, the court will choose whatever is effective.

Conditions for the Cancellation of Contracts

Referring to the point that some mistakenly think that in the beginning of a transaction or contract, any condition made is forbidden, and if there are no conditions, it is allowed, Azari-Qomi said: If in the beginning of the transaction or contract a condition is made, and subsequently the same transaction or a third contract becomes necessary to meet the condition, provided the condition is not a prohibited one, such as late payment penalty, even if its condition depends on action, because in the first case, the condition of profit will prove to be usury and the transaction forbidden, and in the second case, violating the condition requires the right to cancel the transaction by the bank, and the bank cannot collect money for violation of the conditions [as published].

Another condition is discussed in religious jurisprudence, called the condition "contrary to the requirements of the contract." Religious law on limited partnership contracts states that one provides the labor and the other the capital. This means that the person who works does not demand any money from the investor.

He merely shares some of the profit gained, and if there is no profit, he cannot demand any money. Now, if a condition is made with the person doing the job that whatever the profit, it shall be divided in half, and if there is no profit, the investor must pay the worker Rls10,000, in this case, religious law states that this condition is contrary to the requirements of the limited partnership contract.

Or if the investor says, you must guarantee my money, again the limited partnership contract is nullified. Hence, the limited partnership contract is canceled, and the bank does not have the right to Rls1 of the profit.

He also considered unacceptable an article of the limited partnership contract of one of the banks, wherein the worker pledges to purchase at the end of a period or upon cancellation of the agreement all or a part of the goods that have not been sold, upon the agreement of the bank, at the current price, provided it is not less than the purchase price, in addition to the costs and profit, and said: If the worker does not meet this condition, based on this condition, he must pay the money for all the goods to the bank. But religious law states that if he does not meet this condition, the investor may cancel the transaction, but not for the bank to make all the conditions in

its own interest and place the losses solely on the doer. Hence, the bank may only cancel the transaction to get its rights.

The Meaning of Settlement and Its Necessity in the Banking Network

Mentioning the issue of "partial payment and settlement," in which at the beginning of the signing of the contract, the bank calculates the monthly profit on every depositor, both for the long term and the short term, at that moment and announces it to the person, regarding its settlement, Ayatollah Azari-Qomi said: Settlement, in its true sense, is proper. If the amount of additional profit that they want for the deposit to be settled in the beginning is a normal amount, there is no problem. In other words, if the depositor knows, for instance, that about 2 or 3 percent of the profit that he receives will be used to settle with the bank and is satisfied, there is no problem.

But if the additional profit that he was to make a settlement about is more than this amount, and he knows that he will never have a settlement, this settlement is problematic, because the bank in the end too, will not tell him, for instance, how much more it was. Hence, in this case, the bank will have deviated from its authority.

He pointed out: Settlement can be made about what is unknown, but he must give it up, no matter what the price. This can be asked of the depositors in the beginning of the signing of the contract to see what percentage of them will accept settlement at a high rate of profit.

He added: On the other hand, for a person receiving funds from the bank in the form of a limited partnership, if he knows that he will make a profit of 10 percent more than the amount agreed on, will he make a settlement with the individual and easily give it up? For example, the Monetary and Funding Council has determined a 14 percent or 20 percent profit and return for industry.

He pointed out: If instead of 14 percent, it has a 28-percent profit, what crazy customer would agree to a settlement with the bank for 50 percent of the profit in fees? And sometimes these 50 percents are in the millions.

He said: Another problem is that the deposits of the customers do not make a profit equally. Hence, the profit from working with all the deposits cannot be divided equally among all the depositors, because dividing equally requires the participation of capital, and intentionally the company is not resulted [as published]. For example, when an individual invests an amount in Tehran in a partnership with an amount from another person, for without each to protect his money, or gives half of his money to his partner for any amount of the two capitals be put into operation [as published].

In continuation, Ayatollah Azari-Qomi said: Another problem concerning the investment deposits that gradually come to the bank is that the banks cannot put the profit of those whose money has been in operation previously in the account of the next investment.

He explained: It is fair that these and other doubts arise. The Islamic Republic should free itself from the banking system and employ another system.

He added: The truth is that when a depositor loans his money to the bank, the same above-mentioned profit belongs to the bank. The evidence for this is that if the bank fails or suffers a loss, the depositor asks for all his money plus the profit, and will even complain in the courts, and because this condition exists, even if implicitly, the transaction is canceled, and the customer does not have the right to receive Rls1 of profit, even if there has been a great deal of profit made and the purchasing power of the customer has decreased.

Presentation of Forged Documents Is Not Allowed in Islamic Banking

Referring to the fact that certain documents presented by individuals wanting to receive money from the bank in the form of signing a contract are not real and the lack of supervision of banks in regards to the use of the money received by the depositor, Ayatollah Azari-Qomi said: In these cases, even if appearances are kept up, to extend such a loan is not allowed at all. The law says that the money of the depositor must be spent in a particular place. Even if the depositor has given the power of attorney to the bank, the bank cannot do so according to the law.

The member of the Society of Teachers of Qom Seminary described the level of familiarity of the banking employees of the country with interest-free banking operators as weak and added: Considering the announced statistics, about one-fourth of the employees of the banks have been given interest-free banking operations training. The question must be asked: Have those who have been trained learned the issues concerning interest-free banking? In addition, do these individuals really believe in it and practice it? This is one of the problems regarding the present system. When customers are asked about this matter, they say that they do not have sufficient, precise information about the method of operation and only know that the money that they deposit in the bank has the condition that they will be given so much in profits every month.

He continued: The present banking trend will cause a decrease in investments, as we are witnessing, because banks grant funds to those who have a high profit margin, and because the partnership of the bank in the rate of profit of investors is high and every year the rate of profit increases, so do the bribes that middlemen receive; the red tape; unemployment; late payment losses; money for land; taxes of city halls, the [Ministry of] Finance, and registration offices, on the whole, making money and capital more expensive. It could be

said that for the industrialist, at least by calculating these expenditures and late payment penalties that often exist, it reaches 25 percent, which is a high rate. This issue causes a rise in the cost of goods and services. Because of the lack of purchasing power of various strata in the society, there is too much supply, and consequently no one is interested in investment.

He pointed out: The economic policies must pursue increasing the revenues of the oppressed and deprived classes, so that their purchasing power increases, and they are able to tolerate the high price of government and the abandoned private sector goods. If the economy is governmental, because investment is limited and is under the control of the government, and on the other hand because the goal of the government is not to acquire profit, these investments and services by the government are for the public. Hence, the per capita income and the income of the deprived and the weak will not increase unless the problems of electricity, water, and fuel for the people in terms of adequate supply are resolved.

He said: To consider the governmentalized economy corrupt suggests accepting a communist economy, which we believe does not solve any problem. Unfortunately, the economic officials of the country have evaluated the rise in governmental production in transportation, electricity, aluminum, and iron positively, even though the deprived strata are unable to purchase these goods.

Concerning the use of the term interest after 10 years since the ratification of the interest-free banking operation law, he said: The reason for this problem is that the people and some of the employees of the banks do not consider interest as religiously forbidden and even regard it as correct. According to one of the banking officials of the country, as a result of inflation, every year the purchasing power of the depositors is decreasing, and, hence, this decrease in purchasing power must be made up for. This issue, for these people who are the agents for carrying out the interest-free law, interest appears to be right.

Based on numerous reported sayings referring to the dirham and dinar, which were the two common currencies at the dawn of Islam, even if they were not valid any longer, the borrower has to return the same currency that was no longer valid.

Compensation for the Decrease in Purchasing Power

He continued: The decrease in purchasing power at times depends on factors in the market itself, that is, supply and demand, or, in other words, an increase in supply and a decrease in demand, or an increase in demand and decrease in supply. Sometimes the decrease in the purchasing power is due to investments through usury. In the first case, with regard to the decrease in the purchasing power due to the increase or decrease in the relative price of goods, the decrease in the purchasing power must not be made up by the bank in accordance with sacred religious law. In the second case, also, which is the result of usury operations, again, the bank cannot make up for it by giving interest on deposits. The solution is to collect small investments, investments by the people, and create jobs for everyone in such a way as to make up for this decrease in purchasing power created as a result of inflation.

He said: This is another reason why banks give profits and interest to depositors. Otherwise, instead of guaranteeing the purchasing power of the depositors who have given full power of attorney to the banks to carry out religious contracts, the banks should give the depositors the profits from limited partnerships. The fact is that the owners of the capital have taken the risk in regard to losses and the decline in their purchasing power. Hence, the bank has no guarantee unless that bank has taken a loan, and this compensation for the purchasing power of the lender is religiously considered usury and prohibited.

Movement of the Interest-Free Economic Wheels Is Not Easily Possible

Pointing out that with proper religious methods and without making interest, the economic wheels can be set in motion, Ayatollah Azari-Qomi said: Granting funds in the present form and collecting huge profits is not in the interest of the national economy, because delays in granting loans and a great deal of red tape, getting many warranties, and most important, payment of bribes and taxes in various forms will ultimately increase production costs, and the price of the produced goods will not be feasible. My suggestion is that if the government does not want to give interest-free loans, it should not accept people's interest-free deposits in the form of Islamic contracts and not perform this mediation. Rather, on the one hand, provide the resources and grounds for production and investment, and, on the other hand, divide the large agencies into small production agencies and let the people put together their small capital and, through small factories, operate it themselves. The result will be competition, lack of dependence, increased revenues, the creation of jobs, and meeting the needs of the society. In my opinion, this is the meaning of social justice, that everyone has the possibility of work, and production and purchasing power are created rather than having to divide the public property and wealth equally or raising the price of government goods as much as possible for the wealthy to buy bread and gasoline at low prices.

He said: What is religiously wrong with giving government goods at the low price to the deprived strata while the well-to-do buy it at high prices in order to reform the economy in the framework of the private and cooperative sector, "without religious and economic problems that were discussed elsewhere," and in this way raising the purchasing power of the poor to buy the government goods at the actual price.

Continuing, he pointed out: We have no need for banking funds, because we do not import rial funds, but we take these small and large amounts with extensive propaganda from the people and give them as funds or

loans with interest to the investors. We must make the large operations small, so that financially weak individuals who are able to work can make production active in order to achieve an economic balance.

In conclusion, rejecting the opinion of some of the officials who consider resorting to the present system a necessity and for this reason consider it permissible, he said: We do not import rials. Hence, if the operations are made small and the large and small investments are made in various operations, not only will production increase without inflation, but it will also be accompanied by economic growth alongside competition.

* Engineer Khamushi

93LA0236B Tehran RESALAT in Persian 1 Sep 93 p 6

[Interview with Engineer Khamushi, director of the Iranian Chamber of Commerce, Industries, and Mines and a member of the Industries and Mines Committee of the Majles, by RESALAT; place and date not given]

[Text] Engineer Khamushi, the director of the Iranian Chamber of Commerce, Industries, and Mines and a member of the Industries and Mines Committee of the Majles, responded to the question of our economic correspondent in the second part of this solicitation of comments.

The text of the interview is as follows:

[RESALAT] How do you evaluate the level of familiarity of the directors and employers of the various branches of the banks with the interest-free banking operation law? And, can you explain the steps taken in this regard?

[Khamushi] This question has two parts. Naturally, answering the second part concerns the banking officials of the country. But as far as I know, informative meetings were held in the banks as well as seminars in order to better train the bank employees in their jobs. Naturally, on-the-job training in the banks as well as the government and private organizations must not be ignored or regarded as unimportant.

But, in regards to the first part of the question, I must say, first, the level of knowledge of the employees in our country concerning the work that they do is not very high. One of the factors is insufficient on-the-job training. Another is that the laws and regulations that are devised are not properly distributed among those who are to implement them. Third, in our administrative system, there is no purging of administrative and regulatory documents. Sometimes the mass of contradictory laws, regulations, and instructions in a file of only a few pages is collected out of order, which is enough to confuse any client. On the other hand, in developed countries, the employees of every ministry have an index file, and whenever a law or instruction is changed, the old sheets are removed and replaced with new sheets. In this way, the collection of rules to be implemented is always available, and is even on the desks. Some time ago, we created an office for expurgation of laws, but it could not or did not want to carry out this duty.

The issue of familiarity with the interest-free banking operation law is different from the Islamic injunctions of the prohibition against usury and where they coincide or do not coincide. Of course, it would be better for a bank employee to know the religious ruling about an issue, but what is expected of him at the present is to know the laws and regulations that are to be implemented and to implement them uniformly with regard to everyone.

[RESALAT] In your opinion, has the change in the banking system created problems in carrying out the duties of the banking system?

[Khamushi] Of course, it was very difficult to explain to the employees in the beginning. But now, according to official reports, there are no problems in this regard, and the employees are doing their job, and the banking system is advancing. In my opinion, the problem is with supervision. The Majles must, in accordance with the law, supervise the duties of the banks more than ever before. In addition to being trusted, the banks are the partners of the people. The money of the people must not be spent in ways that bring no economic return, because a bank is different from the Ministry of Finance. A bank is an economic establishment that must make use of the people's money in profitable ways, so that the people will benefit from it. This profit, naturally, will correspond with the volume of the deposit of each person, or the ratio to the total deposits. Nevertheless, if we do not point out the more important duty of banking, we have not expressed the issue fully. That is, the banking system must not take the task away from the people by resorting to the deceptive and attractive aspect of interest on deposits. Bank deposits must never become an aid to unemployment, as is customary in many countries, and for people to prefer not to work and rather live off the interest on their deposits. The banking system must create movement and action in the society and promote work and progress. We have many weaknesses in this connection that must be corrected. The high level of unemployment is one of the most important of these weaknesses. To solve it, the cooperation of all the organizations, particularly that of the tax system and the monetary system of the country, play an essential role.

[RESALAT] Does the banking system fully operate in accordance with the interest-free banking operation law?

[Khamushi] Naturally, when the law is implemented, the officials are required to observe it. The supervision that was mentioned before can create this assurance, and if, God forbid, there is any violation, it should be prevented in a timely manner. But I should also briefly mention the philosophy of prohibition on usury. In fact, usury, which is prohibited in all divine religions and in Islam as well, emphatically prohibits acquiring income from people's money without working and is based on another principle, which states [Arabic]. The supposition is that the people should not take advantage of the helplessness of a

person who needs money, but become business partners with each other. Their profit from the operations that they carry out is permissible, even if one only invests money and the other trades with it, provided their agreement is clear and based on the profit and losses of the business and not on the basis of receiving interest alone. Islam encourages a wealthy society. But this wealth must be acquired from beneficial work and activity. For this reason, "hoarding money" and the "stagnant storage of money" is also prohibited in Islam. The Islamic banking system is, in fact, the cause of the circulation and increase of capital and distribution of profit. But as to the reason some people use the term interest instead of profit, this is only a habit. If by using interest is meant the share of an individual in the profit, it will replace interest. But if we collect interest and call it profit, again we will be committing the sin of usury. The argument is not over words, it is about concepts.

[RESALAT] What is your opinion about the expected minimum and maximum profit?

[Khamushi] Essentially, in my opinion, the minimum and maximum profit of the banks must depend on the annual profit of their economic operators, and this operation must be for the whole economy of the society, including employment, production return, and the progress of the society in the future. The profit of the banks must be a dynamic factor in creating positive economic movement in the society. For this reason, it may be 3, 5, or 8 percent and sometimes more than 20 percent. Of course, the investor will go to the banking system when he thinks that he will make more of a profit from his deposit than with other operations in the society, and, of course, with the same degree of certainty in regards to the protection of the principle and the profit. Hence, the profit of the banks necessarily depends on the progressive economic situation of the country.

[RESALAT] What are the interest-free loan deposits used for?

[Khamushi] Essentially, in Islam there is a sort of aversion to borrowing, unless it is an emergency situation. Interest-free loans are for those emergency situations and must be minimum. In other words, they must be used as a spark to create the necessary flame.

[RESALAT] What steps must be taken to Islamize the operations of the banking system?

[Khamushi] The supposition is that in the Majles and under the high supervision of the Council of Guardians that have approved the interest-free banking law, our banking system is Islamic. In practice, too, the banks operate as general joint-stock companies. In other words, the investor has a share in the profit of the operations of the bank. Guaranteeing a profit at a certain level or exempting it from taxes does not harm the principle of issue. At the same time, like any joint-stock company, management is separate from capital, and this can also be a condition in the contract and is not legally prohibited. The only problem is that in the general assembly of the banks, not all the small and large investors, who could number several hundred or several million, participate. And this has been changed to give power of attorney for attendance and decisionmaking to those who participate, and it would not create any particular religious problem. I thank RESALAT for this interview.

* Ayatollah Naser Makarem-Shirazi

93LA0236C Tehran RESALAT in Persian 2 Sep 93 p 6

[Interview with Ayatollah Naser Makarem-Shirazi, of the Society of Teachers of Qom Seminary, by RESALAT; place and date not given]

[Text] Ayatollah Naser Makarem-Shirazi, a member of the Society of Teachers of Qom Seminary, in an interview with our economic correspondent, explained his views about the present banking situation.

The text of the explanation of Ayatollah Makarem-Shirazi follows:

Ayatollah Makarem-Shirazi mentioned the philosophy of the creation of banks, facilitating deposits and payments, and assuring the people that their property is protected and added: Small and large capital that exists in the society, the owners of which do not have the ability and managerial skills to use it, is collected in a place called a bank and put into operation. Subsequently, many of the problems of the society are resolved. Like drops of rain that are collected behind a dam, its existence can use the capital that is collected for development, providing energy and drinking water.

Usury Banking, the Most Cruel Kind of Usury

He added: Sometimes the bank itself invests, and sometimes this purpose is achieved by granting loans to customers. With these methods, making the economy thrive takes place when banking moves along its proper course, but if it moves along the course of usury, the banks become fatter every day, and the people of the same society who are the owners of the capital become weaker every day.

He said: In the West, the bank takes money from the people, loans it to them, and receives a profit. This form of getting interest is worse than usury in the past, because they gave their own money to the people and collect interest, but these banks give the people's own money to them. This is the most cruel form of subjugation and profiteering.

The member of the Society of Teachers of Qom Seminary mentioned the elimination of social justice and accumulation of wealth in one pole of society as a sign of usury banking and said: If Islamic banking is implemented in all its aspects, capital will be used in productive work, in the interest of the society, and towards eliminating their needs.

For example, in a limited partnership, which is not limited to commercial affairs (even though some religious jurisprudential books have limited it to commercial affairs), it is done in this way. Ayatollah Makarem-Shirazi referred to the implemental bylaws of the banks in signing limited partnership contracts and said: If, in practice, the bylaws are implemented properly, limited partnership is formed, provided all points of the bylaws are implemented. The banking system based on usury causes the polarization of the society, and the Islamic banking system causes development and benefits for all the strata of the society from their capital.

Necessity of Cultural Work for Familiarity With Islamic Banking

Emphasizing the duty of the press and the media to explain the Islamic issues and rules, including those involving banks, to the people, he pointed out. Islamic rules must be told and made understood through cultural activities, and in order for the people not to be hesitant about banking operations and the precise implementation of bylaws, the bank officials must explain it to the people and their employees.

Playing With Words Is Prohibited and Serious Intention Is Allowed

Concerning the nature of contracts as a result of the change in terminology and changing it from prohibited to allowed, he said: Playing with words is prohibited, but intentions are different. This issue is like a marriage. If a man and woman are together without a religious contract, we say it warrants religious punishment.

But when the intention is serious, and they intend to get married, in that case, if the words are meant seriously and the nature of the issue is proved, what is at issue as adultery changes into marriage. Hence, when we say partial payment, its actual meaning is that one party provides the capital and the other party the work, and a contract is signed in this connection, and at the end of the year, the profit is divided equally.

If in the middle of the year I need money and tell you, instead of at the end of the year, make a calculation for every month and pay my share for every month, there is no problem.

If I have no concern with the meaning of limited partnership or contract but give you money to give me interest at the end of the month or year, whatever you call it, the change in words, which are usury tricks, do not change its nature. It can also be that I seriously intend to sell you my house under the heading of a conditional purchase. And the indication is that at the end of the year, if you give the money, the house is yours, but if you do not give the money, the contract is canceled.

But if I want to collect interest and call it a conditional purchase in order to deceive myself and the other party, this is prohibited.

He said: Of course, if the other party knows that this intention is for appearances, then the transaction is the same for him as well.

Fake Invoices Are Equivalent to Usury

Concerning fake invoices, even if they appear legal, which some banks receive for payment of funds, Ayatollah Makarem-Shirazi said: In some cases, it is heard that banks at certain intervals send their supervisors, for instance, in the construction of buildings, to examine the phases of the operations and then pay some of the funds. If it is done in this form, there is no problem, but if it is only on paper, God forbid, the system will be usury or worse, because in that case interest is collected under Islamic cover.

Concerning the condition that the bank makes at the signing of the contract with its client in regards to the bank becoming only a partner in the profit, he said: In accordance with sacred religious law, the bank must be a partner in the profits and losses. Some sources of emulation have decreed that at the signing of the contract the condition be made that losses are the responsibility of one of the parties. In this regard, opinions differ. For instance, in the AL-'URWAH AL-WUTHQA [the Ffirm Tie], it is stated clearly that the losses can be made the responsibility of one person, but some of the sources have rejected this, and we, too, have been cautious about it.

Absolute Power of Attorney to Banks

He described giving absolute power of attorney to banks as a good solution and added: Giving the banks power of attorney by the people, such as in limited partnership contracts, can make anything with any condition at any amount practical. Then, the bank has the power of attorney from the people to settle their rights. The important point is understanding the conditions and regulations of Islamic contracts. If it is not explained to the people, they will be committing prohibited acts, and the banks will have a share in it. In the past, the banks were nurturing the oppressors, but after the revolution, these conditions changed. At the present time, if we do not act on Islamic conditions and procedures, again the results will be contrary.

Conditions for Paying Profits as Partial Payment

Concerning calculating the minimum profit that is paid at the opening of short-term or long-term accounts by the banks to the depositors, Ayatollah Makarem-Shirazi pointed out: This problem has two solutions. The legitimate solution has three options: (1) The depositor gives full power of attorney to the bank. (2) He allows the bank to settle on a specific price of the share that is intended in the agreement for the depositor. Hence, in the power of attorney, first the bank has the permission to calculate it as any figure it wants, and in regards to the second power of attorney the bank is permitted to change those share schedules into a specific price. It is like you owe me some money. I do not know how much it is, then I come

and settle with you on a price, of course, a settlement that is reasonable. (3) The bank tells the person that this money that it gives him with these separate conditions as partial payment. In other words, I (the bank) am in debt until the end of the year, when the time for calculating the profit comes. If these three actions are done consciously, the deadlock of the banks is broken. But if they are done unconsciously and in words and they do not have an intention and do not take the issues seriously, they will face a prohibited act.

Necessity for Establishment of Informative Classes

He considered it his duty to explain to the people through the media and separate what is allowed and not allowed by God from the usury tricks and emphasized: On this course, the banks must also have informative classes for their employees. Unfortunately, neither of these have been done fully. For this reason, the people look upon the operation of the banks with skepticism.

There Are No Deadlocks in Islam

Rejecting the opinion of some individuals who want to show that Islamic banking has reached a deadlock, he said: It must be noted that the existence of banks is a necessity, and it is impossible to give them up.

In the seminary where I teach in Mashhad every year, I have shown that Islamic banking has no deadlocks, and the problem is purely in not properly explaining it to the people.

Advertisements of Banks and Interest-Free Loan Prizes

Concerning the advertisement of interest-free loan account prizes, he said: The advertisements of the banks can be examined in two respects. In one case, such prizes and advertisements motivate the people to go and deposit in that bank, but they do not mean for the bank to give them interest on the deposit. This is proper. The sign of this motivation is that if at the end of the year, the bank does not give him anything, he does not feel that he is owed it. It is like I give you some money and know that when you return it you will give me something as a gift in addition to the money. But I have not signed a gift contract with you, and if you decide not to give me a gift, I do not feel that you owe me anything. But if the people calculate that if the bank does not give them some amount of profit at the end of the year (of course, for interest-free loan deposits), they consider themselves owed, this is precisely usury. In other words, if this commitment is made by the bank to give prizes unilaterally, it is fine, but both sides make a commitment, even in a secret manner, and the bank considers itself a debtor and I a person owed to, this is usury. In this case, the people can be explained to and told: Put your money in the bank as interest-free deposit and savings and do not have such a contact with the bank. At the present time, this issue is still in the form of motivation and not contract. The bank intends to create incentives in order to get the people to deposit their money in the banks.

The member of the Society of Teachers of Qom Seminary referred to the excesses of advertisement by the banks in attracting the people's participation in the lotteries that are also somewhat restricted by the Ministry of Economic Affairs and Finance and said: The method that the banks were following was exactly like the Westerners and would create ill effects, including the people's distrust in the promises that were given, because the figures and prizes that were announced were incredible to thinking people. For example, how much interest could a bank make to grant a billion tomans in prizes? These were a series of deviations. But if the bank has reasonable prizes, and the gifts were given to the people with good announcements, incentives will be created, and there is no religious problem.

Supervision Over Deposits

Concerning the interest-free deposits that banks receive from the people and give to those who want to make investments at high rates as loans and the small prizes given to the depositors, he said: The government must supervise such issues. Supervision is different from interference. Government interference, experience has shown, does not have good results. It is not proper for the government to take charge of everything. We believe that when money is accumulated in the banks to be used on the economic course and make a profit, this profit must be divided justly. And the government must supervise this distribution.

He emphasized: In this regard, the government must do precise auditing and supervision. If the people give absolute power of attorney to the bank, the bank must not exceed its authority and take 80 percent profit for itself and give 20 percent to the people.

Implemental Bylaws

Criticizing the behavior of the banking officials of the country in devising implemental bylaws and also not consulting sufficiently with the religious scholars, he said: The bylaws that have been ratified were not sent to the religious scholars. After a great deal of effort, I was able to obtain a copy to study.

He explained: The banking officials of the country have not made any explanations at any level in the society. To do this, in addition to the bylaws, the banks must distribute small, informative magazines to the society for the thinkers, and they must clarify their positions and ask the religious scholars and teachers for explanation. If they want to sit by and do something and even observe the religious regulations without telling anyone what their reasoning and evidence is, naturally, the people will be as skeptical about the operations of the banks, as before.

Ayatollah Makarem-Shirazi said: It has gotten to a point where I had a hard time finding these bank bylaws for the purpose of religious jurisprudential reading. This action of the banks is not proper.

Islamic Banking and the Existing Situation

Referring to the issue that the Islamic government in this case has been formed for the first time and the creation of an Islamic government has had problems, one of which is Islamic banking, he said: If we are able to implement Islamic banking in its proper form, it will be a good model for all Islamic governments who want it. On the other hand, if people want the banks to become Islamic, the wishes of the people in practice will be dependent on the requirements of Islamic contracts and being aware of their regulations. For example, if they want to receive money, which is not within the framework of requirements and regulations, they should not try to prepare accounting receipts which are superficial because as long as people behave in this manner, Islamic banking cannot be implemented.

He added: If banking returns to its previous form, nothing but harm for the people and the oppressed stratum will come. If we want to implement the Islamic revolution slogans in support of the oppressed stratum, one of its ways is to implement banking operations in their true Islamic form and ensure that the real profit of the people's money is acquired through religious law and the supervision of the government. In conclusion, Ayatollah Makarem-Shirazi said: On the whole, I believe that the present situation of the banks is not ideal. The continuation of this trend will cause the polarization of the society and the flow of the profit of people's money into the pockets of the powerful in the society.

*** Engineer Rajab'ali Taheri**

93LA0236D Tehran RESALAT in Persian
4 Sep 93 p 19

[Interview with Engineer Rajab'ali Taheri, candidate in the sixth presidential election, by RESALAT; place and date not given]

[Text] **Engineer Rajab'ali Taheri, a candidate in the sixth presidential election, in an interview with the economic correspondent of RESALAT, explained his views about the banking operations in the past 10 years, since the ratification of the interest-free banking law.**

Engineer Taheri first referred to the level of familiarity of the employees of various branches of the banks with the interest-free banking operation law and said: On the whole, the opinion of most of the bank directors and most of their employees is that in practice the law is quite different from what is implemented in the sense that the banks operate as they have in the past, and their employees are not very familiar with this law. In response to the question of whether or not the change in the banking system has created problems in carrying out the duties of the banking system, he said: Considering the changes that have taken place, these changes have not been rooted and basic, but superficial, and the banks are operating within the framework of the past. But the superficial has been made into the framework of Islamic contracts and is thought to be Islamic contracts.

Concerning the conformity of the interest-free banking operations law and its implemental bylaws, he said: On the whole, the banking operations law that was ratified by the Majles under the heading of Islamic contracts and the elimination of usury is a law the implementation of which is actually interest-free banking, but what is done in practice is none other than usury. In Islamic laws, in accordance with the definition that is made of usury, usury is when a person gives money to someone and makes a condition to receive a certain amount of interest on the debt, and the bank practically makes the same condition in all its contracts. For example, the people, in practice, borrow money from the bank, but the bank says it is not a loan; rather, we are signing a limited partnership contract with you, and you must give us 24 percent in profit, and if you have losses, we do not accept the losses. In actuality, this is not a limited partnership. In a limited partnership, if there is actually a loss, it would accept the loss. Hence, what the bank does is contrary to this law.

Interest/Profit on Deposits

He added: In most cases, it is in this form. They have put all the contracts within the framework of the past. For example, in the past, there was an account called a long-term deposit. At the present, too, the same account exists. Or in the past they said the profit on interest, now they say the profit on deposit. They tell the investor, You are a partner in the profit, and guarantee that certainly they will pay a certain amount (15.5 percent) in profit. He said: Justifying this action, announcing the profit and guaranteeing it, is to gain the trust of the people. This action is not really proper, because if a company wants to make an investment, first of all, its profit is unsure. In order to eliminate this problem, it is better to tell the people that they will invest the people's money, and if there is a profit, at the end of the year we will divide it in accordance with the agreement that we made in the beginning of the contract. If so, the society will not suffer from inflation.

The Banking System and Decreased Production

Referring to the sure ratio of profit that banks give depositors and cause the absorption of capital from the production sector to the banking system, Engineer Taheri said: Because the bank announces its rate of profit, and its payment to the customer is also guaranteed, when investment outside the banking system is risky and does not yield this level of profit, a person turns the orchard, construction, and other capital into cash and leaves it in the bank with ease of mind. This action causes a decrease in production.

He also called the bank transactions a matter of formality and said: The Islamization of banks has been towards making the people and the capital lean more towards production, but the present banking system does not play such a role. Some of the employees of the banks believe that the method has not changed and only the terminology has changed.

He added: The banks in many regions, because of having a fixed rate of profit on deposits, are suffering losses. In one of the regions of the country where there are often wealthy people, some have deposited 400 million tomans in the bank and receive 5 million tomans in profits every month. The bank in this region is suffering losses but is obligated to pay.

He added: The funds that banks give to various sectors cause inflation, because they are obliged to return the profit in which they are a partner with the bank, considering the various sections, up to 24 percent. All of this is inflationary, while in Islam the producer must be given interest-free loans in order for production to take place without inflation.

He continued: Now, the bank pays an amount of profit to the depositor from the funds that it grants and takes the remainder itself. On the whole, these two interests affect the cost of produced goods.

The Present System of the Banks Must Be Reformed

He explained: The existing system needs to be reformed. Even though in the law usury has been eliminated, in practice, the banks deal in usury.

Concerning the understanding of the people concerning interest and the foe-interest operations of the banks after the passage of about 10 years since the implementation of the interest-free banking law, Engineer Taheri said: Many of the contracts that the banks carry out under various titles, such as limited partnership, service contract, the purchase of debt, and farm leasing contracts, are in form only, and they believe that the same interest is available as in the previous method, because the bank is a new system and has not implemented the Islamic laws in the national economy in the form that the purpose and the goal of the bank is to collect the cash flow in the hands of the people. For this task, they had to use a vehicle to encourage the people, which was the announcement of huge profits on deposits.

Concerning the difficulties on the road of implementing the interest-free banking law, Engineer Taheri said: The law of interest-free banking operations can be implemented, but the banks think that in order to be able to keep the people's money in the banks they must constantly increase the tools of encouragement, which in their opinion is the profit on deposits, whereas our people are Muslims, and Islamic culture governs the society. If they are sure that the bank is dealing with the people and payment of interest-free loans or profits on deposits fully observes the Islamic laws, we can be certain that the people will behave sincerely, and there is no need for constantly raising the profit on deposits.

He said: We must not be afraid of taking the money out of the banks and putting it into production by the people. Rather, the policy of the banks must be on this basis, so that people are encouraged to put the money into production.

He pointed out: When money from the depositor reaches the producer through various middlemen and, first, this money has become expensive for the producer and has created a great deal of expenditures for him, in the beginning, this creates fear and anxiety, because from the beginning when investments are made the establishment does not make a profit, but must give, for instance, 30-percent interest to the bank in the first month after the signing of the contract. Hence, this policy of the bank must be to encourage the people to invest themselves. The Koran also says that money must be used in production, because hoarding money at home is prohibited.

Increase of Capital Must Increase Production

He continued: The philosophy behind this statement is that if money is put into production, a number of people are employed, and an income is created for them, and also production in the society increases. At the present time, the people are gradually doubting the banking policy of the country, because if they use their own money in production, it is risky, and there are a thousand other problems, including insurance, taxes, city halls, etc. But when the same money is put in the bank and they receive 15.5-percent interest every month without any problem, that is why people often do not engage in production and investment.

Criticizing some of the banking officials of the country who claim that profit on deposits is just and is a way to prevent inflation, Engineer Taheri said: The banks claim that of the 22-percent rate of inflation, they only contribute to 15.5 percent of it. My question is, if you only give the short-term and long-term depositors their right, then why do you not give the rest of the people who sincerely deposit their money in the bank in the form of interest-free deposits their rights?

The Value of the Rial Must Be Stabilized

Engineer Taheri mentioned the most important duty of the government and the banks as stabilizing the value of the rial and controlling inflation and pointed out: The ratification of the two laws in this area will be able to keep the value of the rial stable. First, the circulation of money must be freed in such a way that Iranian banking in other countries will be allowed to accept the money of our country in transactions. Otherwise, this will cause the value of money to decline.

The second point is that we carry out all transactions with our own currency. For instance, what is wrong with selling oil in rials and, in agreements that we sign with other countries, dealing in rials, in which case, in my opinion, the value of money will increase.

*** Ayatollah Rezvani**

93LA0236E Tehran RESALAT in Persian
6 Sep 93 pp 3, 15

[Interview with Ayatollah Rezvani, a religious jurist on the Council of Guardians, concerning Islamic banking by RESALAT; place and date not given]

[Text] Economic Division. Ayatollah Rezvani, the honorable member of the religious jurists of the Council of Guardians, in an interview concerning the operation and the implementation of Islamic banking, responded to the questions of the economic correspondent of RESALAT. The text of the interview is as follows:

Changing the Terms Does Not Change the Nature

[RESALAT] In religious jurisprudence, can the change in terminology change the nature of a contract? For example, if we change the term guaranteed profit to partial payment or change loan to funds, can it change its prohibition to permissibility?

[Rezvani] The example that you gave can be misused, and the people imagine that profit has changed to partial payment or loan to funds. If we disregard this example, on the whole, a change in terminology does not change the nature [of something].

[RESALAT] If we change a loan that was being paid before the revolution, we now change to the 10 channels of limited partnership, installment sale, farm leasing, etc., but the nature is no different. Does it change the nature of a contract?

[Rezvani] Do not give this example, because it is not true in this case. If it is divided into one or several secondary channels, still no change would take place, it would only have gotten smaller.

[RESALAT] The bank pays various [rates] of profit on various deposits on a partial payment basis. Does payment of high profits not cause the closure of people's businesses? And in the meantime, do not high-rate profits create the idea in the people that gradually, instead of putting their money into production, they should put it in the banks?

[Rezvani] Because the money collected in banks is spent by the government on producing to meet the needs of the society, it will create no recession or problem, because money is not hoarded in the bank. Rather, the money that is collected is spent on fundamental projects, and a controlled economic system under the supervision of the government is created. Even if the rate of profit of the banks is higher than the rate of profit of activities outside the bank, still it will not cause a recession.

The Nature of the Advertisement of Interest-Free Loan Accounts

[RESALAT] It is stated in reported sayings: Any loan that results in interest is usury, and this benefit is general. Do the bank advertisements not cause the individual to open an account for benefit? Is this benefit not usury?

[Rezvani] If what is meant by benefit is materialistic, it is usury, but if it is in the form of a lottery, it is no longer usury.

[RESALAT] In the form of a lottery, do people not lend "for the sake" of the intended benefit?

[Rezvani] Individuals lend with the hope of profit or benefit, which is different from "contracting benefit." If there is a benefit contract, even if it is a small amount, it is problematic.

[RESALAT] In comparing the interest-free banking system with for-interest banking, the cost of Islamic banking in practice is higher because of bureaucracy. Can this system be made less expansive?

[Rezvani] This is an expert matter, which I am unable to assess.

Sale of Loan Papers

[RESALAT] The sale of loan papers to people is prohibited, because it is usury. Is the sale of these papers by banks to the Central Bank and by the government companies to the Central Bank allowed, like usury between a father and his offspring?

[Rezvani] This reasoning is wrong, because in Shiite religious jurisprudence, analogies are not allowed. If the title refers to two issues, the ruling is clear. In the case of the Central Bank and other banks, because they are owned by the government, there is no usury. Hence, because the bank is a government bank, it has no private owner. Hence, the banks and the Central Bank are two branches of the government. If the banks direct the resulting profit to the private sector and pay from the resources of the depositors, it is problematic. But its payment from the resources of the banks is not usury.

People Give the Banks Absolute Power of Attorney

[RESALAT] In the new capital system, the depositors are a partner, and their profit is also shared. Considering that in practice the deposits and profits are mixed, if the bank pays the profit from people's deposits, would this not be problematic?

[Rezvani] The depositors give the banks their absolute power of attorney. Hence, if the bank has full power of attorney and wants to give people their profit, this is no longer the people's money, because it has been mixed with other deposits. And because it has full power of attorney, it takes the people's money from the mixed money and gives it to them. Even though it is undivided, in accordance with the full power of attorney it can determine to whom the money is given.

[RESALAT] Because the bank has full power of attorney, it can only receive fees for serving as an agent, whereas

the banks, in addition to this fee, receive profits through participation in Islamic contracts as well.

[Rezvani] The bank collects the share of the profit for the owner of the capital and from that share takes its own fees.

[RESALAT] Considering that the bank is the agent, can the agent guarantee the principle of the capital?

[Rezvani] If an agent is trustworthy, that means that if the money that it receives under the power of attorney is lost, it is not responsible. This is if the bank itself does not agree to the guarantee. But if the bank guarantees, it can guarantee the principle of the capital as well.

[RESALAT] Power of attorney is allowed among the contracts, and at any point the client can dismiss the agent. Does this issue not create instability in the banking system?

[Rezvani] No, because as soon as the agent is dismissed, the depositor withdraws his money, and on these occasions the bank pays from its own resources.

Procedures To Pay Profit on Deposits

[RESALAT] Why do banks and other government organizations decide the rate of profit prior to granting funds? Is this not problematic in terms of religious law?

[Rezvani] The government instructs the operators of the banks to participate in transactions that, for instance, have a 4-percent profit return, not that they should collect 4 percent in profits and decide it ahead of time. Determining the profit in terms of a percentage of the principle is not proper. But the government instructs the operator of the bank that, for instance, it should investigate housing construction. If it has a 4-percent profit return, then it should enter negotiations and grant funds. If an agent says to the client clearly, "You must pay 4 percent in profit," here the agent is making an error.

Receiving Funds From Foreigners Is Not Prohibited

[RESALAT] Is receiving loans or funds from other countries and international establishments whose banking system is for interest not problematic?

[Rezvani] Receiving the principle of the loan is allowed but paying the excess (its interest) is problematic. Receiving a loan is not a transaction such as the buying and selling a book when both sides decide to transact the book for a specific amount. Hence, here if the transaction is canceled, the money and the book is not removed from the ownership of both sides and the use of each party of the property of the other party is problematic. But the issue of borrowing is not like this, because in borrowing, the two parties deal in the loan and its payment and the loan is bound by collateral. It is the obligation of the borrower to pay. Now, if he says that too much has been collected, it is prohibited. This is very problematic. Extra payment by the collector is contrary to religious law, but borrowing itself is not prohibited. If there are emergencies, then it is not prohibited at all. Hence, the Islamic government can borrow with interest in emergency situations from the people of the book and it is not problematic.

[RESALAT] If we agree on the banks being national, because key national and governmental are two different concepts, if the government supervises the affairs of the banks, it is on behalf of the people. Is the pocket of the government and the pocket of the banks the same in this case, and is there no difference between governmentalizing and nationalizing the banks?

[Rezvani] No, there is no difference between governmentalizing and nationalizing the banks.

What Is the Pivotal Point in Islamic Banking?

[RESALAT] In for-interest banks, the pivotal point is profit. Is profit also the pivotal point in Islamic banking?

[Rezvani] Considering that the banks are national, profit is not the pivotal point of government activities, because when profit is the pivotal point, in its other activities as well, the government must maintain profit as its pivotal point, whereas the government acts on the pivotal point of "interest."

[RESALAT] If profit is not the pivotal point, why in the Second Five-Year Plan of the government is it projected to have a higher rate of profit than the present?

[Rezvani] This issue is not contrary to profit in the banks not being the pivotal point, because the increase in the rate of bank profits is devised on the basis of the best interests of the country, and the best interests of the country require the cash flow to be absorbed from the private sector to the banking system to be invested in ways that are in the best interests of the society.

[RESALAT] In Islam, the basis is the expansion of the economic activities of the people. Would raising the rate of profit and absorbing the cash flow from the private sector by the banks not cause a decrease in the economic activities of the people?

[Rezvani] A healthy economy relies on production. Relying on middlemen and agents is not a proper economic system. Attention must be paid to middlemen as much as necessary, because in the private sector, the pivotal point is profit and not the interests of the people. Due to the high level of profit that exists in relying on middlemen, obviously, it prefers it over production. But because the banks are national, they are subject to the interests that the government determines, and because production is in the interest of the country, certainly capital will go towards production.

Composition of Deposits and Settlement of Depositors With the Bank

[RESALAT] Since it is possible for a depositor to put his money in the bank for only three months and another depositor in the next three months, while the money of the first depositor does not have the opportunity to enter investment, the profit that the bank makes is the result of the entry of the money of other depositors in investment. Is mixing the capital at various times and the payment of profit to all of them not equally problematic?

[Rezvani] Because the precise calculation of profits is difficult, the banks made a projected settlement, and the amount of the shares of the depositors in the meantime is settled with the bank.

[RESALAT] Must settlement be only by the depositor?

[Rezvani] In limited partnership, the bank makes an agreement with the implementor that states, for instance, that the bank is a partner for 25 percent of the profit and the implementor 75 percent, and that the 25 percent share of the bank must be paid by the implementor in accordance with the contract that is signed. If he does not want it, he is not obliged to receive it and become a partner with the bank.

[RESALAT] Some of the directors of the bank branches believe that the present organization for the implementation of Islamic banking is the same as a for-interest organization. Does Islamic banking not require its own special implemental and organizational system?

[Rezvani] What is meant by the special system is the careful training of the bank employees in the new method.

The Situation of Low-Return Sectors

[RESALAT] If the banks only invest in sectors that are not below the minimum, in other words, they decide the minimum rate of expected return, in this case, what will happen to the sectors that have less than the minimum bank profit return but that are in the interest of the society?

[Rezvani] Because policies are made by the government, if in some case the expected profit is less than the amount that the government determines, the banks should not engage in it. And that is also to control the activities. In other words, this method of the government is a tool for regulating the interests of the society, as to in which sector investments must or must not be made. If the expected return on investment is outside the projected level, certainly it is not in the interest of the society. For instance, if the government announces for limited partnership that it must have 23 percent profit and in agriculture 8 percent, this is certainly because it does not consider the expansion of that sector in the interest of the society, but considers the growth of agriculture in the interest of the society. Meanwhile, if it does not take some case into consideration and did not extend loans, it is because it has not been in the interest of the society.

[RESALAT] Considering that the capital of depositors in the bank necessarily becomes joint ownership and a company will have to be formed in which the bank can directly make investments, does this (forced company) not have problems with signing other contracts, such as limited partnership?

[Rezvani] The people give the bank their power of attorney and do not make it a partner. Now, when the bank has power of attorney, the contracts have to become numerous. The first forced partnership is not a contract, and a forced company is not contractual and would not prevent the signing of other contracts.

Supervision of Banks, the Aspect Distinguishing Islamic Banking From the For-Interest System

[RESALAT] One of the differences of Islamic banking from for-interest banking is that in Islamic banking there is supervision over the use of funds. Now, if the supervision of the banks is not sufficient, as we see it, is collecting profit from partnerships by the bank not problematic?

[Rezvani] Insufficient supervision by the bank is not religiously problematic, because a contract has been signed and the person has spent the money and paid the profit, and the bank does not know whether or not the implementor has paid the money from the same contract. Hence, there is no problem for the bank.

[RESALAT] The agent is trustworthy, and if there is waste, he is responsible. Lack of supervision is followed by the guarantee of the bank. Now, if, for example, the implementor has a contract with the bank for 6 percent but makes a 20-percent profit, is the bank here not guilty of failure to supervise, which violates the right of its client?

[Rezvani] At the present, the bank, even if it does supervise, says that it is responsible, and if there is waste, it is still responsible.

Late Payment Fine Is Not Usury

[RESALAT] Is a late payment fine not usury?

[Rezvani] In accordance with the opinion of the Council of Guardians, it is not usury. There are two kinds of usury, one on borrowing and other transactional. In both cases, the additional amount taken in the transaction is prohibited. If you sell 1 kg of wheat for the price of 2 kg of wheat, the additional amount, even if it is borrowed, is usury. But if you sell 1 kg of wheat for 10 tomans and buy 2 kg of wheat for 10 tomans, the extra is the result of two transactions and is allowed. The late payment fine is neither of these two cases. Rather, the bank says, you must pay your installments at the end of the month. If you do not, at that point you must pay so much in fines. Not that you pay the fine for the amount (installment) to stay with you for another month. Hence, a late payment fine is not usury. Since it is not usury, if it is made a

condition during the signing of the contract or loan, it is in accordance with [Arabic] and is not problematic.

[RESALAT] In some Islamic contracts, such as share cropping or forming partnerships, the supervision of the bank is necessary. These two contracts have only two sides. If the bank is the owner, it will only give the farmer a share of the profit. In that case, what is the profit of the depositor? And if the bank is not the owner, this contract will have three sides. In such cases, when the use of Islamic contractors turns the bank into an implementor, what should be done?

[Rezvani] These contracts are only for cases when the bank itself is the owner.

[RESALAT] Have the views of the late Ayatollah Sadr been used in the interest-free banking system?

[Rezvani] His views were not used, even though the system operates similar to his views. Rather, we tend to eliminate the issue of usury from banking, in which case, we have succeeded.

[RESALAT] The banks take annual service charges from interest-free loan funds. Is this not problematic?

[Rezvani] That is not true. If it is so, it is problematic.

Announcement of the Exact Amount of Profit Payment By the Bank Is Not Prohibited

[RESALAT] Considering the ups and downs that have existed in recent years in the national economy, while the banks have paid an almost fixed rate of profit in partial payment to depositors, is this not problematic?

[Rezvani] There is no problem, as far as partial payments that the bank makes to its customers every month. Because recollecting the additional money at the end of the year after the expected profit is estimated was not found to be expedient, the government announced that from its own money, it should be given to the people, and the banks no longer collected from the people the additional payment. In regards to announcing a minimum, if the exact amount is announced, still it is not problematic, because the bank has full power of attorney. What is wrong with the agent, in order to attract the attention of his client, announcing that he will put the money into operations that have a 20-percent return?

[RESALAT] is this not the way limited partnerships operate?

[Rezvani] No. Limited partnership companies are a party to the limited partnership themselves and not an agent. If they are the agent, then that will be allowed, too.

[RESALAT] It is stated in reported sayings that usury is the result of making conditions. In paying profits on short-term deposits, the bank makes the condition that it will pay this amount of profit for every three or six months. Is determining the condition of time not problematic? And is it not a condition that creates the suspicion of usury?

[Rezvani] There is no problem, because the bank in signing the contact announces to the customer that if he signs different contracts, it will pay different profits.

[RESALAT] Competition between the banks has now caused applicants to transfer from one bank to another, if they cannot get funds from one bank and make use of the funds, because they have a connection. Is this kind of competition proper?

[Rezvani] If the implemental bylaws and regulations are not violated, there is no problem. But if the bank employee knows that the implementor and the recipient of funds is presenting forced invoices and documents, he is acting contrary to religious law, in which case the money for the recipient would be worse than usury.

Money Is Only a Means

[RESALAT] Is money a commodity?

[Rezvani] No. Money is not a commodity. It is a means.

[RESALAT] Considering that the rules for goods and property in religious jurisprudence also applies to money, is money not property?

[Rezvani] It is not property, because property has value. If one book is worth 100 tomans and another 200 tomans, is 200 tomans more valuable than 100 tomans or is it the value of each? Obviously, 200 tomans are more than 100 tomans, but not in terms of their intrinsic value, because 200 tomans consists of two 100-toman notes. Thus, money itself is related to the value of objects, and the nature of objects is measured by money. Money is like a means for transaction, without which there would be problems.

[RESALAT] People have greatly criticized the implementation of Islamic banking. In your opinion, to what extent after 10 years of the implementation of interest-free banking operation law have we reached our intended goals?

[Rezvani] I do not know about implementation, but the stabilization of the Islamic banking system takes time.

Does Partnership Cause Inflation?

In the conclusion of this interview, Ayatollah Rezvani, the honorable member of the Council of Guardians, referred to statements in RESALAT on Tuesday, 9 Shahrivar [31 August] and said: It must be asked whether partnership causes inflation. If the banks were for-interest, yes, it would cause inflation. The action of bank does not cause an increase in the cost of capital, because the bank sends its experts to check on the profitability of a certain activity and whether or not it will gain the intended profit.

If it will, then the bank enters the transaction. And if, in some case, someone makes an agreement with a bank employee, we should not blame it on the system.

Concerning people's understanding of the operations of the banks and their understanding of the interest-free banking law, he said: We have nothing higher than the Koran. The people did not want to act on the Koran, which is the word of God. Now, how do you expect them to follow this law? Hence, the implementation of Islam depends on the wishes of you and me.

* Mohammad Hoseyn Kazemi Namin

93LA0241A Tehran RESALAT in Persian 7 Sep 93 p 6

[Interview with Mr. Mohammad Hoseyn Kazemi Namin, general manager of the Workers Welfare Bank, by RESALAT; place and date not given]

[Text] Mr. Mohammad Hoseyn Kazemi Namin, the general manager of the Workers Welfare Bank, in an interview with RESALAT, explained his views concerning the level of familiarity of the employees of this bank with the interest-free banking operations law, the problems of the change in the banking system, conformity of the operations of the system with the law and bylaws, and the necessary points for Islamization of the existing system. The text of this interview is as follows:

[RESALAT] How do you evaluate the level of familiarity of the directors and employees of the various bank branches with the interest-free banking operations? Could you explain the steps taken in this regard (the procedure and time of the implementation of the training courses, if they exist)?

[Answer] Prior to the ratification of the interest-free banking operations law in 1362 [21 March 1983-20 March 1984], all the directors of the offices and distinguished and first-rate branches of this bank participated in the related training classes held by the Central Bank of the Islamic Republic of Iran, and after the ratification and the notification of the above-mentioned law, the training unit of the bank most seriously began training the personnel and individuals who prior to the ratification of the law were verified by the Central Bank to teach and immediately operated the training classes of the bank. Today, all the personnel of the bank have even passed the complete courses several times and are knowledgeable about the most important issues. In addition, in order to train individuals who were hired after the implementation of the interest-free banking operations law, the intensive training courses continue.

[RESALAT] In your opinion, has the charge in the banking system created problems in the performance of duties of the banking system (please explain)?

[Answer] Normally, a change in any system results in the members of the society not being able to make use of that system for a period of time, and the implementation of the interest-free banking operations law also could have created great problems, considering that, first of all, it was to eliminate usury. But the above-mentioned law, in certain cases and for a stratum of the society, had tied the hands of the implementors so that, for example, certain groups were unable to receive some kinds of banking funds, for example, raw materials in the services sector or the purchasing of homes in the housing sector.

[RESALAT] In your opinion, is the banking system of the Islamic Republic of Iran at the present time in full compliance with the interest-free banking operation law and its bylaws? If not, what are the violations? What do you suggest to eliminate them?

[Answer] Because of the variety of for-interest transactions in the previous system and changing them to the new contracts stated in the interest-free banking operations law (time of implementation, 01/01/1363 [21 Mar 1984]), and considering the lack of knowledge of the customers about the banking contracts, in some cases the rules and regulations of the contracts have been overlooked and carried out differently. At the present time, coordination has been created to some extent. But the methods of implementation intended by the Legislature have not been observed in some contracts. The reason can be considered to be the lack of knowledge of the usury of funds and most important the unhealthy competition of the banks. If in limited partnership, civil partnership, and advanced purchase contracts what the law has determined is carried out correctly, it can be said that the above-mentioned contracts are being implemented in an Islamic manner.

[RESALAT] In your opinion, why do most people and even some of the officials and the press still use the term "interest," given that now about eight years have passed since the implementation of the interest-free banking operation law?

[Answer] The terms "interest" or profit will not solve any problems. What is important is to inform the society about the essence of the practice. What did the banks do in the past? What do they do now? In the past, how were the deposits kept in the banks? The past method was the relationship between the lender and borrower. One party gave money and the other received it. The first party was the lender, and the bank was the debtor. But in the Islamic system and the interest-free banking operations, the relationship between client and bank is the relationship between the agent and the client. The customer gives money and the bank invests that money in various contracts on behalf of the client in accordance with specific regulations, and the result of the transaction is either profit or loss for the owner of the capital. When this principle is understood by the client, the problem of usury is also resolved.

[RESALAT] How are the minimum expected profit and the minimum and maximum ratio of the share of the bank profit in the banks under your supervision calculated?

[Answer] On the basis of the rates ratified by the Monetary and Fund Council and the kind of transaction and the sector in which investments are made, the share of the resulting profit is calculated with consideration for the information presented by the partners of the banks or implementors and the studies of the bank experts of the return on the projects.

[RESALAT] In what cases are the interest-free loan deposits used: Are the interest-free loan deposits used to offer funds?

[Answer] A. For providing for the emergency needs of actual persons in the following instances:

1) Wedding expenditures
2) Paying for a dowry
3) Treatment of disease
4) Housing repairs
5) Educational aid
6) Aid to rural housing
7) Providing housing

B. In accordance with Article 5 of the implemental regulations on interest-free loans by the banks, the interest-free loan budget shall be at most 10 percent of the total granted funds of the banks every year, provided it does not exceed the total interest-free loan savings deposit.

[RESALAT] In practice, what difficulties are encountered in exact implementation of interest-free banking operations?

[Answer]
1) Lack of knowledge of the people about the interest-free banking operations and the related bylaws and regulations.

2) Lack of trust of the users of the bank funds in the actions of the banks being Islamic and hiding the facts on their part concerning the details of their transactions.

3) Lack of coordination of the banking system in implementation.

[RESALAT] What steps have been taken and what reforms must be implemented to Islamize the operations of the banking system?

[Answer]
1) Necessary training and the executive officials continuing to give the necessary information to the society.

2) The facts in every transaction being stated by those who use the funds.

3) In the even of losses from the operation, if the implementor or the partner are not at fault, the bank should share in them.

[RESALAT] Are the regulations in the bank under your supervision in accordance with the above-mentioned law and its bylaws? In any case, please explain.

[Answer] It is necessary for any action to take place within the framework of the interest-free banking operations law and its bylaws and regulations, but, unfortunately, in some rare cases violations are evident, some of which concern the customers and some of which are due to the officials not being fully informed.

[RESALAT] Please state any other important points or suggestions that you find appropriate in connection with better conformity of the operations of the banking system with the interest-free banking operations law.

[Answer]
1) For the service sector, except for machinery, nothing has been thought of concerning the implemental regulations of the law, and banks in this connection are obliged to commit violations. A solution must be found.

2) For installment transactions in which the bank is the creditor, if the debt is not paid (because of economic problems or accidents such as flooding and earthquake), the possibility of recourse does not exist, for which a solution must be found.

3) To better conform the operations of the system with the interest-free banking operations law and to ensure cooperation, the clients and customers of the banks must be familiarized through explanations of the philosophy of the law and its economic and executive results on radio, television, and in newspapers, and also the training of the officials of the banks and strengthening the supervisory sections of the banks, both by the banks and the Central Bank of the Islamic Republic of Iran, which is responsible for the proper implementation of the banking laws.

In implementing this important issue, the role of the honorable Friday and congregational imams and the clerics who are in direct contact with the people will be very helpful.

* Professor Morteza Khatami

93LA0241B Tehran RESALAT in Persian
8 Sep 93 p 5

[Interview with Professor Morteza Khatami, religious jurisprudence expert, by RESALAT; place and date not given]

[Text] Professor Morteza Khatami, an expert on religious jurisprudence, in the continuation of the solicitation of comments by RESALAT, explained his views concerning the foundations of the interest-free banking operations law and its bylaws. It is necessary to point out that he has been involved from the beginning in the ratification of this law and since that time has held meetings concerning Islamic banking training with the directors and employees of the banking network, and these meetings still continue.

Professor Khatami pointed out the effect of the change in terminology and names on the nature of Islamic contracts and said: The use of the terms profit and interest is not essentially problematic. What is religiously illegal is to give loans and receive additional amounts.

Commitment of the Two Parties to the Requirements of the Contract Is Necessary

Concerning the lack of commitment of the two parties of a transaction to the requirements of the contract and observing them in the banks, he said: In the beginning of writing the implemental bylaws of the interest-free banking operations law, I was an observer and consultant in the meetings that were held for this purpose. Even though the main law and the bylaws were problem free, the supposition existed constantly that in practice the content of the law might not be precisely implemented. In other words, a customer may get from the bank the money that he needs under a particular heading and offer false documents and accept the conditions in some manner. In any case, this is one of the problems of the banks.

Professor Seyyed Morteza Khatami emphasized: When Islamic contracts were taught in the bank, I said there that the issues that are written here and discussed are unlikely to be precisely implemented in practice, because the bank employees from morning to the end of the work day are engaged in the daily affairs of the bank and have no time to carefully investigate, hence, another solution must be found.

Prizes on Interest-Free Loan Accounts

Concerning the interest-free loan accounts and their prizes, given that some people open accounts with the hope of winning the lottery, he said: Usury in borrowing occurs when the lender makes a condition, stating that he will receive a certain amount of the money that he lends and the borrower accepts this condition and acts accordingly. If this condition is not made, but the borrower adds something to the principle of the money and returns it, while the lender knows that this person will add something to the principle and return the money, there is no problem. As we know, in regards to the payment of prizes, the bank is not obliged to pay a prize. Concerning the authority of the bank in spending the funds that it receives in the form of interest-free loans, he said: In the rulings on borrowing, the money which is loaned is owned by the borrower, who can do whatever he wants with it.

Limited Partnership and the Condition During the Contract

Concerning limited partnership contracts, he pointed out: Limited partnership is a permitted contract in the sense that whenever the owner or the implementor can cancel the transaction as he sees fit, the other party must accept it. In regards to whether this issue can be made into a condition during the signing of the contract, it must be said that during all contracts, conditions can be made, but a condition that is made while signing a contract must not be contrary to the basis of the contract and not interpreted as "whatever is disallowed" or prohibit "whatever is allowed." In other words, nothing that is allowed should become disallowed and vise versa. For instance, in limited partnership, when money is employed and two people become partners, if no action is taken contrary to the contract, and they act in a normal way, if there is a loss, first the profit is eliminated, and when that is finished, they go to the principle of the capital. Consequently, the loss is paid from the pocket of the owner of the capital, while the implementor has merely failed to gain a profit. Now, to prevent this situation, if the owner of the money says to the implementor, "Let us sign a contract that we are partners in the loss," this would be contrary to the principle of limited partnership. To eliminate this problem, they do not cancel the limited partnership, but while signing the limited partnership with another contract (necessarily outside contract) they make a condition that if there are any losses, the implementor shall pay them. Hence, the issue is not problematic, because the basis of the limited partnership contract is preserved. Imam Khomeyni also accepted this condition, but in the form that the first individual can cancel the principle of limited partnership, and then the condition is canceled.

Many of the Problems Are Resolved by Giving Absolute Power of Attorney

Referring to the present method of banks in signing limited partnership contracts and the procedure to make the implementor responsible for the losses, he said: In the beginning, the bank receives absolute power of attorney from the implementor in order to devise this contract on the basis of the power of attorney in any legitimate form, so that the profits and losses from the contract will be the responsibility of the customer and the implementor, and even if no profit is gained, he would pay up to a certain amount in profit to the bank. This question of power of attorney can be implemented in religious jurisprudence without a problem.

But the employees of the banks must be aware of these methods.

Concerning settlements by the banks and how they can be carried out in transactions with customers, Seyyed Morteza Khatami said: This issue has been stated in the Imam's dissertation, in the rulings on settlements, problem 2165, in this form, "If a person knows the amount of his debt, but the creditor does not know it, if the creditor settles the amount owed him at less than what it actually is, the extra is not allowed for the debtor, unless he states the amount of his debt and makes the creditor agree to it, or the situation would be that if he [the creditor] would know the amount owed him, he would still make a settlement at the [lesser] amount." Hence, in banks, too, the customer can be told that whatever profit is gained from his money, even if it is more than the amount that the bank has paid him, he can settle on with the bank. The customer also knows that outside the bank, he cannot gain more profit than he gains from the bank, because if he could, he would not agree to enter a transaction with the bank.

The Bylaws Are Problem Free

He said: Some may find problems with the transactions of the banks with customers, but in the bylaws, all the religious aspects have been taken into consideration, and the transaction methods in use have been carefully examined.

Unless the customer does not want to act in accordance with the revolution or the employee of the bank is uninformed about observing the bylaws.

Concerning late payment fines, which some scholars have found to be problematic, he said: Usury can be proven in two cases. One is in lending and the second in transaction. Now, the discussion concerns the debt to the bank. If the bank makes a condition with a person that if he does not pay his debt on time, he must pay a certain amount, this will be usury, because at the present it is only the money that is owed. To eliminate this problem, another "necessary outside contract" can be made, that is, in the meantime, through another transaction, this obligation is made with the person, and there would be no problem.

Receiving Collateral

Concerning the numerous forms of collateral and the banks being too strict with customers to grant funds, Professor Khatami said: Getting collateral in any amount is not problematic from the viewpoint of the sacred religious law and is even recommended. If the person pays his debt on time, the collateral is not problematic. All these discussions concern the time when the customer does not want to pay the bank's money. The banks are trusted by the people and government and must have the power and tools to collect what is due them.

Concerning the increase in the cost of produced goods that are created as a result of receiving such collateral and the bureaucracy that governs the banks, he added: If the people themselves deal properly with the banks and the bank does not feel the need to get such collateral, then it can reduce the collateral. But at the present, while anger at the loss of people's property exists, this collateral seems reasonable.

The Share of the Profit Can Be Determined

Concerning the calculation of minimum profit that the banks clearly announced while signing contracts with customers, he said: Because the bank operations have a particular order and because of experience, they can estimate the amount of profit of their operations. At the same time, the banks can tell its customer that in the transactions it will settle the share of the customer's profit at a ceratin amount, in which case there is no problem.

People Must Know

Concerning the operations of the interest-free banking system and people's understanding during the past 10 years, he said: The people must realize that at the present time their wise men take money from the bank as loans and pay profit to the bank and do not consider this action unreasonable. Islam respects giving loans that cause kindness between the faithful. It says, do not that which would pollute lending and do it within the framework of transaction.

At the present time, there is a "hidden hostility" between the two sides in the sense that both sides, the customs and the seller, would like to make more profit. People must accept that the person who puts his money at my disposal and meets my needs, if I use it in trade or some other work and make a profit, the lender, after all, must also gain some of this profit. Now, in the form of lending, Islam has prohibited this interest. Hence, it can be implemented in the form of transactions and various Islamic contracts. This issue must be understood in the culture of a nation. Otherwise, what rational mind can accept that a person should give his money to someone else to work with and neither get any profit from that person nor say anything? Hence, it is not reasonable, because in this manner, nothing will get done. Now, as to what level the interest-free banking laws are practiced, it must be said that certainly they are not practiced fully. This applies to both employees and customers. The solution is to go to the religious scholars and familiarize the people and employees of the banks with what God has prohibited and allowed and learn the terminology of business at the needed level.

For now, the business people in the bank that must know the religious jurisprudential issues. Now, as to whose duty this is, it is the duty of all the congressional prayer leaders, the sermon makers, the media, and the people themselves, who must learn these issues by reading the dissertations.

He emphasized: Because the people do not study the Islamic issues, when an issue is raised by the religious scholars, people think it is something new or there is some deception involved, whereas it is legal and proper. Some of these decrees may have been issued 200 years ago. The usurer world of the West lends money and receives interest and considers itself deserving and wise. But the Islamic world acts within the framework of transactions.

In conclusion, Professor Khatami pointed out: If the banks and any financial institution believe in carrying out Islamic rules, many of the daily problems will be solved.

* Hojjat ol-Eslam Gholamreza Mesbahi

93LA0241C Tehran RESALAT in Persian
9 Sep 93 pp 5, 15

[Interview with Hojjat ol-Eslam Gholamreza Mesbahi, deputy director of the office of Seminary and University Cooperation, by RESALAT; place and date not given]

[Text] Hojjat ol-Eslam Gholamreza Mesbahi, the deputy director of the office of Seminary and University Cooperation, in the eighth part of the solicitation of comments, responded to the questions of the economic correspondent of RESALAT. It should be pointed out that he emphasized that the issues discussed are his personal opinions.

Concerning the differences between the Islamic banking and the for-interest banking systems, Mr. Mesbahi said: Today, banking is necessary. The economy of a country cannot operate without a banking system. The best use of capital by the banks is necessary, because the allocation of the financial resources in the hands of the people must be used in investment. In the for-interest system, deposits are absorbed through the mechanism of interest rates.

In this system, the existence of the interest rate results in the increase in cost and inflation at the level of interest, because one of the costs of production is the rate of interest. Hence, the producer must make a profit above the amount of interest in order to be able to pay all the costs of production, including interest. Hence, in addition to creating inflation, interest may be considered one of the negative factors in investment, even though it depends on particular conditions, in the sense that under some conditions it can be so profitable that in addition to providing for all the costs, including interest, it brings special profit for the investor.

The Expected Rate of Profit as a Substitute for the Rate of Interest

He said: The Islamic banking system, which must be used in Islamic society, must naturally be based on the elimination of interest. But the question is immediately raised: What is the incentive factor for savings and investments in this system? It must be said that the incentive factor in Islamic banking is the expected rate of profit. Because money does not independently generate, it must not be thought that using money at any time provides an extra amount. If we accept that money only has results in investing, the role of money stems from investing. Hence, if the role of money stems from investing, the profit on money must stem from investing.

Mr. Mesbahi added: If investments are made, the expectation of profit for the money is certain, and if we say how much profit it has to make, it can be predicted, but it is not a "decisive promise," because the investor invests when he expects a profit and experience has proved to him that his investment will make a profit of 10 or 15 percent, more or less.

Anticipated Profit Encourages Investment

Hojjat ol-Eslam Mesbahi mentioned anticipated profit as the incentive factor and a substitute for interest and investment of an establishment and said: Because the banking system uses the investments in numerous projects, naturally the anticipated profit becomes more certain. For instance, if a person puts all of his money in one pocket, the probability of losing all of his money is high. If he puts it in two pockets, the probability of risk becomes half. And if he puts it in several pockets, the probability of risk is reduced by the same ratio. Now, if 1 million tomans are invested in one project, the probability of loss is greater. If this money is invested in two projects, the probability of loss is reduced. And if it is invested in several projects, the probability of loss moves towards zero. Consequently, we can say that when we invest money in a bank, the probability of loss is about zero.

Reason for Announcing Profit Decisively

Emphasizing that "if some of the projects of the banks have losses, certainly some will profit, and the profit will be divided among all the projects, and the result is that all projects will profit," Mr. Mesbahi said: With the experience banking has gained from its investments, it can certainly gain this amount of profit, because of investing in thousands of projects, and on the basis of the profit that it can calculate ahead of time, it can absorb the cash flow and be a tool for the control of the cash flow. In this case, the bank can announce the amount of profit decisively, and people can have an expected profit and a determined figure in giving their money to the bank.

He emphasized: But Islamic banking must not give a decisive promise concerning the profit, because the contrary is also possible, since the rate of profit that it announces and gives to the customers is the anticipated rate of profit and in a partial payment form and not decisive, because the rate of decisive profit is determined later. If the payment of the profit is such, the resulting profit form will be the economic activities and the actual market of goods and services and not the profit that the lender in any case demands, whether the receiver of the money has or has not made a profit. The official of the office of the Deputy Director of the Seminary and University Cooperation referred to social justice as one of the goals of Islamic banking and said in regards to for-interest banking: If some people put money in the bank and receive interest, certainly the use of money is without any economic activity or the acceptance of any risk, and the result will be the accumulation of wealth for a number of people with ease of mind. And for the investor who receives money from this group and pays its profit, even if his investment is not profitable, the situation will be worse. This system is both inflationary and inequitable in terms of the distribution of income and separating the money market from the market of goods and services.

Essentially, in a for-interest system, the amount of interest goes from the pocket of the weak to the pocket of

the rich. But the basis of Islamic economy, which is to eliminate interest, stops this channel of money that goes as interest into the pocket of the rich from the pocket of the poor and does not worsen the condition of the poor and improve the condition of the rich, because the result of the Islamic economy is to not separate the money market from the goods.

Profit Is Different From 'Anticipating Profit'

Hojjat ol-Eslam Mesbahi rejected the concern that at the present time the operations of banks in paying profits is like the operation of banking in the for-interest methods, considered the reason for the difference between "being certain" of profit in the for-interest banking as opposed to "anticipating profit" in the interest-free banking system, and added: Because a bank is an experienced service institution, if a person wants to give a loan to someone, there is a danger, but with the investment of money by the bank, the losses almost disappear because of joint ownership.

In for-interest banking, the investor is sure about the final profit, but in interest-free banking, the depositor expects a profit from investments, and the profits are not guaranteed even though the banking operations can make the expectation of profit decisive, which is natural.

Use of Terminology and Effects on the Nature [of Banking]

Concerning the use of terminology and its effect on the nature [of banking], he said: The use of terminology is possible in two places.

(1) In order to give for-interest transactions an interest-free name, such as "selling," which is done in a transaction, and, in order to eliminate usury, using "settlement," whereas the intention is not settlement. According to the opinion of religious jurists, the transaction is void when the nature of the transaction remains unchanged, and any profit gained is forbidden.

Imam Khomeyni emphasized the issue that changes in terminology and falsification do not make usury allowable. He did not find evading usury permissible and considered any form that is given to the transaction which eliminates usury in form only as superficial.

(2) There is a time when, with the use of terminology, in fact, they want to change its nature, in which case there is no problem. Speaking about partial payment of profit is not saying guaranteed profit. For example, two partners during their partnership have the right to withdraw from their joint funds and have agreed on it from the start. But this does not mean their final profit. The bank must also be the same. Even though with its experience it can speak of a minimum profit decisively, the minimum profit stated must not become so definite that it cannot go below it. Rather, the bank must make the people understand that the profit paid may be more than the profit that is gained at the end of the year after investments, although this seldom occurs. But this possibility must always be taken into consideration.

For the surplus, too, the bank must announce that at the end of the year, it may pay a profit above the partial payment to the customers.

Receiving Prizes Is Not Permitted

Concerning the prizes for interest-free loan accounts and the understanding of some people about these prizes being usury, Hojjat ol-Eslam [Mesbahi] said: Certainly, the intention of the lender will have a great deal of effect on his religious reward, provided he merely lends and does not expect interest. If his intention is to please God, his reward will be secured. But if his intention is the prize, his reward will diminish, because even though he means to give an interest-free loan, in this case religious scholars say that the two motivators, that is, the lending and receiving a prize, are tied together.

Now, if the prize is regarded as a decisive issue, it is the same as usury, even if participation in a lottery is considered a right, this right is in addition to the money and is usury. If the right is not considered and it is only in the form of a promise that the bank gives to its customer in order to enter him into the lottery, then this right can no longer be exchanged with property and has no property value. It is like a person that in the common market of Muslims chooses a place for himself early in the morning to sell goods. If in the middle of the day another person wants to buy that place, this is a right that can be exchanged with property. But some rights are not "property," that is, they cannot be exchanged for property. For example, for a person who goes to the mosque and chooses a place to pray, praying in this part of the mosque is a right, but cannot be exchanged for money, because he either makes use of it or gives it up. If he gives it up, then there is no right. Hence, the right exists while he intends to use the place. Once he stops using it, his right also stops. Therefore, in a lottery, no right should occur.

Concerning this issue, Imam Khomeyni said: A right, even if it cannot be changed to property, must not be created because this benefit is not necessary to be considered. As long as there is benefit, it is still usury. In this area, participation in a lottery must not be considered a right.

Hence, the bank must have the prerogative to have the people participate in the lottery, and the individual must not expect to participate in the lottery.

He pointed out that the issues raised in regards to the prizes or interest-free loan accounts are true for when the rate of inflation is zero.

Compensating for the Purchasing Power Through Granting Additional Sums

In regards to the decrease in the purchasing power of lenders as a result of inflation, Hojjat ol-Eslam Mesbahi

said: Since religious jurists have said that if the decrease in the value of money becomes an ordinary issue and the person places his money in the bank knowing the decrease in the purchasing power, here the individual suffers a loss and there is no problem making up for the loss. Some others have said that the lender of the money in fact lends paper money and the borrower must return the exact paper money, and this issue is not related to the decrease in purchasing power.

But today, a number of religious scholars say that a decrease in purchasing power is no problem and even issue decrees on khoms [one-fifth] religious taxes, that if a person buys something and as a result of inflation and not because of its actual value, the price of it increases, the extra that is gained is not actually interest. Hence, no khoms religious taxes need to be paid on it, because khoms is on interest and profit.

He emphasized: If we want to make up for the rate of inflation, because this rate, like the anticipated rate, cannot be decisively projected, making up for the purchasing power through the projection of the inflation rate is impossible and has religious problems. For example, if the rate of inflation is projected to be 10 percent, and at the end of the year it is 20 percent, this difference, which is no small amount, must be paid by the bank. If the reverse of this situation occurs and instead of 10 percent inflation we have 5 percent at the end of the year, promising 10 percent will be usury.

Now, if after inflation is decisively determined, we pay some amount for the decrease in the purchasing power of the lenders to the bank, this is not usury, because in reality the nature of it has changed, since the nature of usury is to receive an excess, as opposed to compensating for the decrease in purchasing because of the losses.

The office of the Deputy Director of Seminary and University Cooperation considered the use of the terms interest and loan the result of the operations of the banks because of lack of explanation and proper training and said: The interest-free banking operations law was verified and approved by the honorable religious jurists of the Council of Guardians. What people suppose about the banking operations and the transactions being for-interest is not evidence of the problem with the law and sometimes the bylaws.

For example, concerning installment sales, the bank may sell property in installments over the purchasing price and people imagine that it is usury, whereas any seller may sell on credit the goods he has purchased by adding some price to it (in which case it is profit on investment). But because people have not had sufficient training, they think that this profit is usury.

He pointed out: This form of transaction cannot be called usury, because in this case two kinds of transaction take place. Sometimes goods are sold, and the difference in price in cash or credit makes sense. Some other times, no goods are exchanged and only money is exchanged, whereas there is no difference between cash and credit money. Hence, not observing Islamic issues has brought doubt to the minds of bank employees and the people concerning the banking operations.

The Contents of the Bylaws Are Not Strictly Observed

Another issue is the actual operation of the banks. The totality of the transactions of the banks does not conform to interest-free banking. For example, in je'aleh [giving money without assurance of results], the bank must be the implementor, whereas the bank has nothing to do with being the implementor, because when the owner of a house comes to the bank to receive a loan in the form of je'aleh, for this person it is only a change in name. And this is the reality of it, because the bank that gives the money must be the implementor of je'aleh. When the same person goes and repairs his house, this contract is no longer je'aleh, even though on the surface they keep up appearances and the executor of je'aleh grants power of attorney for the person to repair his own his house. Is this proper, because the implementor is the bank and the executor of the je'aleh is the owner of the house? Now, if the implementor says to the executor of je'aleh: Go and repair your house with the power of attorney that I give you, this is not actual, whereas in accordance with the law, the bank must obtain the actual request of the people for the money to be spent for that purpose.

He pointed out: If the bank knows that the money paid will be used for other than what is stated, it should not grant the loan, because the bank is trusted by the people and must invest money in the right places. If the profit from the contracts is gained from a channel other than investment, it is usury, and the bank is prohibited from getting it.

Concerning installment sales, if the purchasing invoice that the customers show is not real (sometimes the bank employees themselves encourage the people to do this), installment sales, even though done according to the law and with proper documents, are being misrepresented, and this is problematic.

Summary Knowledge and Suspicion of Usury

In response to the question, "Given such transactions in which the appearance is kept up but in fact the main transaction is prohibited and void, are there not misgivings in terms of the deposits receiving profits on their deposits that are gained in this way?" Hojjat ol-Eslam Mesbahi pointed out: Religious scholars say that a person who puts money in the bank acquires a superficial knowledge of the legitimate use of and prohibition on bank money. With this superficial knowledge, if it includes all of the superficial knowledge [as published], the profit that he receives is prohibited. But if, on the contrary, he only knows superficially that some profit in the bank is disallowed, whether or not the profit that he or another person receives is disallowed, as long as he does not know and is not aware of the totality of the superficial knowledge, the profit on money is allowed.

He said: For each of the depositors, this situation exists. But for a person who has superficial knowledge of the whole banking system and is aware of both sides of the issue, making use of this money is not allowed.

Concerning limited partnership contracts and the condition of the contract being signed and the bank not accepting losses, he said: In limited partnerships, the owner of the capital must accept profits and losses, because the implementor must have the burden of losses. But in order for the bank not to have losses, it can insure the funds, or while the limited partnership contract is being signed make a condition with the implementor that if the investment has losses, he should accept it, because adding a condition of action in limited partnership is not problematic.

Training and Supervision

He referred to the issue that if we are trying to better conform the existing conditions with Islamic banking operations and what has been stated in the law, explanations and constant and complete training of people in Islamic issues, particularly for the bank employees, is necessary and urgent, since many people still do not know the difference between Islamic banking and for-interest banking, and when they are asked about the difference, they have said, there is no difference [as published]. Only the rate of interest has gone up. This indicates lack of people's training. The public must be regularly informed through the Voice and Vision, round-table discussions, newspapers, and magazines as to, for instance, if they need funds for something, in what form they can get it from the bank, or for depositors, the method of gaining profit must be explained. The result of this lack of explanation is the spread of usury among the public and most important that they do not see a difference between the for-interest and interest-free systems.

He mentioned lack of motivation in the officials as another problem that confronted in practice by the present system of banks and pointed out: Some bank officials do not know how heinous usury is, and if they were to become familiar with the prohibited act in which the sacred religious law considers it war against God, they would never consider themselves innocent in assisting others to gain interest. Here, the bank employee must be sensitive and feel responsibility. The bank officials who are directly in contact with the people must be committed, faithful, responsible, and motivated individuals. If so, the problems will be resolved to a great extent.

The Central Bank and Supervision

He said: The Central Bank has the duty to supervise all the banks in the country. The supervision of the Central Bank is in technical and economic terms, as well as supervision over the procedures to conform the banking operations with the interest-free banking law. The second form of supervision is very weak, and banks have leaned towards acquiring more profit and are in competition with one another.

The supervisors of the bank, too, do not carefully supervise the conformity of the law and the operations of the banks. Hence, training, motivation, and supervision are three main problems presently facing banking.

Interest and Usury Are the Same

In conclusion, criticizing the use of the terms interest and loan in the implemental bylaws, Hojjat ol-Eslam Mesbahi added: Some believe there is a difference between interest and usury. This is an idea that has been an issue among the priests in Europe since 300 years ago, whereas there is no difference between usury and interest, because interest and usury are the profit off money itself. However, what qualifies as profit is the result of investment. Hence, if the extra money is due to investment, it is profit, but if it is due to a loan, it is interest.

* Hojjat ol-Eslam Dari-Najafabadi

93LA0241D Tehran RESALAT in Persian
11 Sep 93 p 11

[Interview with Hojjat ol-Eslam Dari-Najafabadi, deputy from Tehran and chairman of the Planning and Budget Committee, by RESALAT; place and date not given]

[Text] **Economic Division. In the continuation of the solicitation of comments by RESALAT on Islamic banking operations, Hojjat ol-Eslam Dari-Najafabadi, the deputy of the people of Tehran and chairman of the Planning and Budget Committee, in an interview with our correspondent, explained his views about the operations of the banking system in the country.**

The deputy of the people of Tehran presented Islamic banking as a system that can be a model for the whole world and added: If, due to some weaknesses that at the present time governs the banking system of the country, we do not gain the necessary success to advance the goals of the Islamic banking law, we will have brought a very useful experience to failure. Hence, we must pay a great deal of attention to the importance of property carrying out the monetary and foreign currency system on the basis of the ratified law. In theory and practice, we must prove that a banking system can actually work towards the economic goals of the country without usury.

Hojjat ol-Eslam Dari-Najafabadi called the interest-free banking operations law a progressive and comprehensive law and said: In this law, the goals and duties of the banking system, the annual budget, and the allocation of resources have all been anticipated well. But the interesting point is that no matter how good the law, if the implemental bylaws, which are the course of the implementation of the law and the policymaking councils, or the officials who are responsible to carry out all the regulations are not successful in implementation and do not pay careful attention, certainly we shall not succeed in implementing the law itself.

He pointed out: The previous system that was essentially based on usury could not invert the nature of the issue, and general change was necessary. Considering that at the present, a change in the area of the Islamic banking law has been created on a widespread basis, along with it a great change must be made in the officials of the banking system, and training is the only necessary requirement. The sufficient requirement is to create motivation, faith, and true belief in the religious and Islamic foundation.

The chairman of the Planning and Budget Committee, referring to the banks being the trustee of the people in investing their deposits, said: In order to procure its resources, the bank uses people's deposits and to invest, receives full power of attorney from the people. On the other hand, it becomes a partner in the form of contracts with investors. In the meantime, while all these transactions must be carried out on the basis of the regulations, if in practice the bylaws are such that the basic spirit of the law is not preserved, the problems must be identified and presented to the Majles as proposals. He mentioned the modification of the foreign currency rate among the problems of the banking system in the country and said: In addition to protecting the value of money and the purchasing power of the people and also the balance of payments that are among the duties of the Central Bank, most important is the control of the volume of cash flow, which has increased significantly with the modification policy. In this connection, the banking network must have the necessary capability to absorb the existing cash flow and infecting it in the sectors that have priority. He added: If the government or the Majles asks the banking network in the country for interest-free loans or loans at low rates, this will not place much pressure on the banking network, because the banks pay at most 15.5-percent profit on deposits, whereas the profit gained from contracts with customers sometimes reaches 24 percent. And this profit is no small figure for them. Hence, it leaves their hands open to grant funds, to a great extent. Even though the figure of interest-free loan funds that Majles requests of the banking network in some cases is not a significant figure compared to the capabilities of the banks, concerning the heavy duty of the banking system, Hojjat ol-Eslam Dari-Najafabadi said: Since the bank is a medium and its duty is to absorb deposits by encouraging people to save, it must, in addition, allocate the absorbed resources to channels that are devised in the large-scale planning of the country. Hence, the bank must not directly be involved in investing and implementation, although some banks enter investments independently, such as the Industries and Mines Bank. This and other specialized banks must get involved in places where the need for investment is felt, put together their expert cadre, concentrate the small capital and, when that establishment becomes profitable, transfer it to the people in the form of shares and pursue other investments. He explained: In some cases, specialized banks invest in areas in which they have not transferred the unit in question and have managed a large organization with a small number of supervisors and experts. The result has been weak management, supervision, and quality.

He pointed out: Since the beginning, the goal of the establishment of the specialized banks was not bank ownership of dozens of production companies and units. Rather, the goal was devised such that they would be a medium to absorb small deposits, invest them in necessary sectors, and transfer them to the people in the form of companies. Unfortunately, not only the specialized banks, but also the commercial banks have regularly been the owner of some factories and companies.

The chairman of the Planning and Budget Committee referred to the unsuccessful operations of the stock market and said: In recent years, the stock market organization could play an essential role in privatization, absorbing the cash flow, offering the shares of national industrial companies, and organizing the expansion of the Industries and Mines Bank, because 1.5 million shares of the banks and companies must be offered once again on the stock market, and in order to prevent fluctuations in price, the Melli Bank could purchase them at an amount below their price. This causes the management cadre to weaken, because the Melli Bank can certainly not prepare itself to operate dozens of production units throughout the country for a short period of time. The administration of companies needs a strong administrative, management, expert, and supervisory network. Hence, because of lack of readiness of the banks to buy companies, they will use their capabilities in a direction other than their actual goals.

He considered the careful supervision of banks over the agreements that are signed within the framework of Islamic contracts necessary and added: In the Second Plan, the duty of the banks will be very heavy, and in terms of technical, specialized, and supervisory cadre, they must reach the desired level. The present weakness of the banks is in lack of supervision and shortage of experts, because the duty of the bank network is to be a trustee and to protect the rights of the people. To carry out this duty, a sense of responsibility and commitment must be created in the employees. In order to protect these rights, the banking network must be more sensitive and careful than the government and private sectors and must prove that the economy of accounts can be managed without usury, and it is not necessary for usury to be a factor in banking.

The deputy of the people of Tehran emphasized: Everyone must defend the interest-free banking law, because observing and implementing this law will mean a great change in the economic system of the country.

Funds must not be granted within the framework of Islamic contracts merely in appearance. Rather, the truth and essence of the banking system must be legal and religious. In the meantime, violations must be dealt with to protect the body and essence of the Islamic banking system.

He said: In the past several years, a change has been created in the banking system of the country in terms of implementation and the use of today's technology. But the important issue to which not much attention is paid is the expansion of the administrative and executive network that has increased the current expenditures of the banking network significantly and imposed a heavy burden on the government and the people. Hence, in addition to reducing this expenditure, the bank officials must ask their employees to deal with the clients of branches and the people with Islamic behavior and good naturedly, because the collection of deposits and increasing the resources of the system is very effective for investment.

Hojjat ol-Eslam Dari-Najafabadi referred to the importance of allocating resources by the government, the Monetary and Fund Council, and the Economic Council and pointed out: The percentages that are allocated to various sectors by these councils are based on the priorities of the society, and the banking network must know that deviation from them is detrimental to the society. Even though the banking network has been somewhat successful in mobilizing the resources and collecting the deposits, the readiness and training of the management and employee cadre to carry out the next policies is necessary. On the whole, a change in the banking system requires public cooperation and help, because the present situation is a short-term experience.

In conclusion, he emphasized: If the Islamic banking system is not implemented in its true sense and by observing all legal and religious aspects, we will all be responsible for the sin and any kind of negligence is an unforgivable sin that will harm Islam and the regime.

*** Dr Ahmad Mojtahed**

93LA0241E Tehran RESALAT in Persian
12 Sep 93 p 6

[Interview with Dr. Ahmad Mojtahed, professor of economics at the 'Allameh Tabataba'i University, by RESALAT; place and date not given]

[Text] Economic Division. Dr. Ahmad Mojtahed, professor of economics at the 'Allameh Tabataba'i University, in the 10th part of the RESALAT solicitation of comments by experts, in an exclusive interview with our correspondent, explained his views about the interest-free banking operations system, which follows:

In regards to the level of success of the Islamic banking operations in the past 10 years, he said: In my opinion, after 10 years since the implementation of Islamic banking, this system has been able to remain in place, considering the harsh conditions after the revolution, including the war, economic embargo, and imposition of pressure by various countries, and this is itself a success, because from the very beginning, it was expected that this system could not remain in place. Hence, from one standpoint, we can say that Islamic banking system has been able to find its place, to some extent, among the banking systems of the world. But, at the same time, this is a weak point. It seems that Islamic banking has not been implemented in its true sense. Of course, this does not mean that it is contrary to the sacred religious law of Islam. Rather, considering the special conditions of the past years, Islamic banking has mostly made use of contracts, of which the implementation is more simple. For example, the fact that banks guarantee a profit is a kind of permitted contract and is somewhat different from what exists clearly in Islamic contracts. This can be quite proper under emergency and extraordinary conditions and is not contrary to religious instructions, but under ordinary and normal circumstances, these conditions and guarantees that are put in place to gain the trust of depositors must be removed. Another point is that it was expected that in the course of these 10 years, the banking system would be able to create some innovations and new ways for Islamic contract activities. In this area, there are deficiencies in the banking system.

Dr. Mojtahed added: Still, the way the profit is calculated is not based on the reality that exists in regards to all deposits. In the beginning, the Islamic banking law had projected that individuals may be partners of banks in economic activities clearly using any of the contracts. But still this is not done actively. In my opinion, the main reason for it is that the banks do not have the sufficient resources and individuals that specialize in such activities. The economics professor of 'Allameh Tabataba'i University was asked: In your opinion, should there be a specific rate or different rates taken into consideration for all deposits? He responded: It is better for the rates to be different, and legally there is no problem. The characteristic of this action is that it will give more choices to the depositors. At the present time, in various countries of the world, there are various deposits with different rates. In Iran, too, we can do this by using Islamic contracts. But in the course of the past years, no steps have been taken in this regard.

Dr. Mojtahed continued: Still, may of the employees of the banks consider profit and interest to be synonymous, and the reason for it, in my opinion, is that the banking system has not tried to clarify the concept. At the present time, some people say that in appearance the name has changed, whereas the concept is actually different. In my opinion, one reason that for years the rate of profit had not changed and one rate was used was the policies of the Central Bank, which in the previous years was a closed system, and the ceiling of funds was an issue, and banks could not make use of all their resources. Now this ceiling has been removed and banks can make use of all their resources and the rate of profit can be closer to the actual rate.

Concerning the coordination of other economic sectors with the Islamic banking system, he said: Because the present banking system is a part of the Islamic economy, the requirement for its success is its coordination with other sectors. Under the present conditions, with the country advancing towards economic stability, it seems there has to be a revision in regards to some laws and an amendment devised about the banking activities to

eliminate the lack of harmony that exists between the banking laws and other regulations, such as the Office of Records, taxation, and the Justice Department. After 10 years of the activity of the Islamic banking system, this task must be seriously pursued and the solution offered to the Majles.

In another part of his statements, he referred to the issue of insufficient supervision by the Central Bank and said: The Central Bank is, in fact, responsible for guiding the banks and must guarantee the deposits of the people and try to increase its supervision. The speed of banking administration operations is sometimes excessively slow, and the customer spends a long time carrying out a contract in the bank. In this connection, he emphasized the necessity of equipping the banking network with a computer system, expediting the transfer of money, and decreasing any likelihood of misuse.

Continuing, Dr. Mojtahed referred to the relationship of the banking system of our country with the banking networks of other countries and added: Our banks must relate their activities to the banking system of the world. There is good potential in other countries that we can use. By establishing agencies in other countries, our banking and economic activities can make good profits and also show the world the competitive capability of the banking system of the country. He then referred to the issue of training and said: In the area of training, there is no limit imaginable. Considering the changes that occur today in the economic and scientific world, training is a joint part of the economic activitie,s and the higher the level of training, the higher will be the return.

He then spoke about the necessity of speed in word and the decrease in administrative bureaucracy in the banking system and payment of funds to people and added: In this area, banks protect themselves by saying that they must get collateral from the people, because the banks are the trustees of the people who deposit their money in them and that the bank must return the people's money to them. In this connection, the Agricultural Bank had carried out a research that showed in some cases of payments, there were up to 108 various steps, and they were able to reduce them to 40 steps with some effort. Many laws and regulations must be revised. A part of these long procedures are truly not necessary, and the officials must try to reduce the expenditures as much as possible, because in many cases, administrative procedures are not only not beneficial, but also harmful. If speed increases in economic activities, the profit will also increase.

Dr. Mojtahed then referred to reducing the administrative procedures in the banking system and increasing investments and added: The issue of investment first concerns the economic security conditions. In order to create economic security, the legal issues of investment must be discussed and various aspects of it resolved. If judicial and economic security is created in the society, many individuals will be ready to invest. In some cases, there are statements made in the society that harm investment security, and people who have capital try to keep their money out of the country. At the present time, the greatest problem in the area of investment is the shortage of an atmosphere of trust because of this problem so that many Iranians invest in Turkey, Kuwait, and other countries.

In this connection, he added: Of course, with the creation of a single foreign currency rate, a great step was taken in absorbing investments. If other conditions are also created, a large volume of capital abroad will also come into the country, because there is a recession in many countries, and in our country, profit on investment is high. With the creation of economic security, capital can be absorbed.

The economics professor of 'Allameh Tabataba'i University referred to the deposits of people in interest-free accounts and the decrease in the purchasing power of depositors as the result of the increase in the rate of inflation and said: Some individuals do not pursue profit and know that the bank makes them a partner in charitable work through their deposits. The prize that the bank gives is minimal, which is only an incentive. Of course, according to the bylaws that were ratified earlier, other incentives, such as priority in making use of bank funds by those who make deposits in interest-free accounts, have to be initiated. This important issue did not attract the attention of banks. Also, it was supposed to give a percentage of discounts to depositors on service charges and power of attorney fees. This article of the bylaws was also not carried out by the banking system. If the banks carry out these measures, the possibility for the expansion of interest-free accounts will exist, and they can be followed by positive results.

Continuing, he spoke about the issue of protecting the value of money and said: Two factors of monetary and financial policies are effective in controlling inflation and can cause the creation of more favorable conditions for investment and productive activities.

In response to the question of whether buying shares from the profit of banks that are 100-percent governmental is not contradictory to the decentralization policy and the goals of the sale of shares, he said: Today, the former separation for the monetary establishments to grant short-term funds is done very little, and buying shares, investments, and control of companies is done by most international banks. While the risk of activities has lessened and their stability increased, the previous short-term activity was within the framework of short-term and commercial services and was not in production, the process of activities was shorter and their profit was higher. Whereas the implementation of long-term activities of banks, like the highway projects, in addition to securing the interests of the society, bring regular revenues for the banks, and the possibility also exists that the bank gradually takes out its resources and invests them in other work (through the sale of shares of the establishment that it has created for the project). Hence, we see that there are no contradictions.

In conclusion, Dr. Mojtahed referred to the 10-year interest-free banking operation system and added: To consider the amount of work that has been done as success and regard the work as complete would be a mistake. These are the first steps, and the possibility for the development and expansion of the system making it deep in the society is great. In the course of the past few years, the first steps were taken. Much is left to be done, which must be researched and examined. At the same time, we must engage in expanding the banking system so that under normal conditions this system can stand on its own feet.

Is Interest-Free Banking and Islamic Banking the Same?

By raising the issue of Islamic economy as one of the economic systems is the collection of economic literature in the past two decades, the elimination of usury (interest) has been recognized as one of the practical indications of relieving the economic system from un-Islamic tools in the world. In this process, traditional banking as a financial institution that organized the economic operations based on usury was noted as the first factor of change and economic task by Muslim economists.

The banks with the goal of elimination of usury appeared on the scene of world banking, which are not old after two decades. Following the success of the initial banks in the Islamic countries, which, without resorting to usury, were able to play a role as a medium of funds, the idea gradually became stronger in Islamic countries to place the elimination of interest on their agenda to carry out economic reforms and cleanse non-Islamic mechanisms from their economy.

Now that interest-free banking operations are used even in non-Islamic countries, the two terms of interest-free banking and Islamic banking are used synonymously.

While the fact is that these two terms are different from one another, taking these two terms as synonyms in the Islamic countries is due to negligence or unfamiliarity with the precise meaning and examples of each. In other countries, also, non-Muslim economists compare banking in Islamic countries where interest has been eliminated with the traditional banking that is current in the world and call it Islamic banking, because they only consider the difference between the Islamic and conventional banking in the perpetuation or elimination of interest.

In almost all Islamic countries, there are banks in which usury has been eliminated and are active, along with other banks.

Except for the Islamic Republic of Iran and Pakistan, in other Islamic countries the two systems of for-interest and interest-free banking are active side-by-side. In this case, the use of interest-free banking is correct and describes the difference between different banking systems.

The fact is that interest-free banking is a name for the banking system current in the world in which usury has been eliminated from the banking system. In other words, in the conventional banking system, while preserving the organization of the banking system, only interest has been omitted and is true as interest-free banking.

But the term Islamic banking is accurate when banking operations are designed and implemented fully in accordance with Islamic viewpoints and as a part of the Islamic economic system. In this case, the elimination of usury and the so-called interest-free banking operations is the first step in the process of devising and evolution of Islamic banking.

Also, interest-free banking is the necessary requirement for the creation of Islamic banking, but it is not its sufficient condition.

*** Engineer Saberi**

93LA0250A Tehran RESALAT in Persian
13 Sep 93 p 15

[Interview with Engineer Saberi; place and date not given]

[Text] Economics Division. Weak training, lack of clarity in the law in some cases, the problem of determining minimum and maximum profits, and the failure to estimate the needs of exporters in the Banking Without Interest Law are some of the things RESALAT's correspondent discussed with Engineer Saberi, executive of the Butan Industrial Bank. The text of the interview is printed for our esteemed readers below:

The Familiarity of Bank Branch Workers With Laws and Guidelines Is Quite Weak

Engineer Saberi described the extent of a bank branch worker's familiarity with the Banking Without Interest Law as quite weak. He said: All bank workers are involved with the executive guidelines. The spirit and form of the law must be maintained with these same guidelines. In their visits to the banks, the people have understood that the bank workers themselves are not that familiar with the laws and executive guidelines, and this itself is a general weakness. He said: One of the responsibilities of the banks is to give training. Because of the services that they provide, compulsory training is necessary, but since the use of old technology in training gives a low return, the result is that 10 years after the approval of the Banking Without Interest Law, only one-third of all bank personnel has received training in Islamic banking.

To solve this problem, bank personnel and the public can be made familiar with Islamic banking in a short time through the use of video, tape recorders, and even mass communications at special times during the day.

Guidelines Are Not Matched to Existing Laws

The executive director of the Butan company said that the lack of clarity in the law in some cases is one of the obstacles in the Banking Without Interest Law. He added: It is clear that the law has problems in places, and this has permitted the writers of the guidelines to commit errors in such a way that the guidelines are undoubtedly far away from the law and the implementation of these guidelines will not take us to the goals in the law. For example, for someone who wants to obtain money from the bank, there is no difference for him between a short sale, sale on installments, and limited partnerships, because for bank employees these are all ways to procure financial resources for some people.

For a limited partnership they take a series of security deposits in terms of profit and repayment of the investment's principal, and they say that the bank is secure for the people's money. Perhaps what they say seems correct, but the bank must have a criterion for distinguishing between someone who will pay 100-percent profit to the bank for his business and someone who is likely to lose money, because for this reason the bank, which obtains the principal on the investment from the people and guarantees it, stops many transactions and investments.

He explained: The solution is that in signing contracts the bank should accept someone even if he loses money, because everyone who takes money from the bank does not necessarily lose money and it is the average profit and loss that determines the profit on transactions. Yet even in a limited partnership one does not see the bank accepting a transaction that loses money or makes less than the anticipated profit. The problem with designating an amount as maximum profit on transactions is that if the investor (the agent) makes more profit than that, the bank cannot get its rights. In installment sales, the banks impose so many guarantees and conditions on its customer that in effect there is no difference from the previous system, and in fact in some cases these guarantees are stronger.

Necessity To Change the Form of Transactions and Nature of Contracts

Eng. Saberi considered the implementation of the Islamic Banking Law to be overshadowed by the changes in the form of transactions and the nature of contracts. He said: If the Islamic Banking Law is implemented verbatim, but if in practice the same former procedure is in place, it is counterproductive, because this law was prepared to make changes also in the superficial form of transactions. Otherwise, either the law will have problems, or if it is correct (which it is), in practice it will not be carefully enforced.

He noted: The current banking system is one of the greatest obstacles to the development of exports and production. This system is absolutely incapable of meeting the needs of the production and export systems. An important factor, which was not specified carefully in the guidelines, is the lack of attention to foreign commerce; only the domestic commercial factions were addressed.

For example, if a producing unit wants to rebuild its system, this case is not included in any section of the guidelines. To do this, the owner of the producing unit must make an agreement with the bank that is outside the framework of Islamic contracts, yet this problem could be solved by designing transactions and contracts in various ways.

Banking System Must Create Means for Production and Exports

He said: To provide means for exports, the domestic exporter must give credit to the foreign buyer through the banking system, to enable him to buy goods from the Iranian exporter. This state of affairs is not mentioned anywhere in the guidelines of the banks. Therefore, perhaps it may be said with confidence that the current law does not answer to the needs of production and foreign trade in any instance. For this reason, in most cases the agent must prepare and present false documents to be able to obtain means and do his transactions.

He noted: Unfortunately those implementing the guidelines do not have enough knowledge and capability to sign contracts. Even if the people working at high levels do have the necessary capability, their numbers are few and they have little interest in these matters.

The executive director of the Butan company said that the use of the term "profit" 10 years after implementation of the Banking Without Interest Law is the result of the way the banks work. He said: From the point of view of the people who have relations with the banks, there has been no change in the manner of transactions, in conditions and requirements and in guarantees, and neither have conditions changed in terms of staff.

The banks take absolute proxy authority from depositors, but they do not allow anyone to act as their proxies and they even require the agent to pay back the investment principal monthly with a set percentage of profits. These requirements have consistently created many difficulties, and the result is that the people still are not optimistic about the transactions of the banks.

He rejected the existence of minimum and maximum profits in transactions, and emphasized: Even in one specific area, because of different conditions in transactions, there are different profits and a specific minimum profit cannot be set. If the bank is going to be a participant, it must observe the conditions of the joint endeavor, and if it is an investor it must be a real investor. If Islam speaks of risk in investment, the bank is also an investor and some kind of risk does not just exist for my investment. Therefore the bank should accept any kind of transaction that is profitable and it should even accept it if there are losses so that the transactions will take on a realistic form. The result will

be that resources will move in the direction of the transactions that make the most profit.

It is not correct to set a minimum profit for different investments because in practice it is possible that a project in Mashhad might make 14-percent profit under a series of special conditions, and the same project under the same conditions in Khuzestan might make nine percent project. Even if there are statistics that say for example that last year the average profit on investments in textiles was 15 percent, what could this percentage have to do with investments to be made this year in that field?

He said: This minimum profit undermines the nature of Islamic transactions because for example in limited partnerships one cannot set a minimum profit.

He discussed settlements of the banks. He said: Settlement has meaning when the investor has the right to choose in settling, in the sense that he may know that at a certain bank the profit on his deposit will be settled at 6 percent, and at another bank it will be 4 percent, and here, in view of his incentive to invest, he has the right to choose a bank with which to sign a contract. However, when all the banks act in one way on one set of guidelines, the investor is obliged to settle.

Government Demands Use of Bank Resources

Eng. Saberi noted: The problem that the bank faces is the government's demand to use their resources. If the bank claims that its money is the people's money and if the government needs financial resources, it should not get it from the banking system, because this kind of government activity disrupts the allocation of bank resources.

In conclusion he discussed the performance of the banking system in the last few years. He said: One of the properties of Islamic contracts is allocating resources based on special uses. That is, if Islamic contracts are implemented in all their aspects, resources will be directed towards real uses. In this regard, however, it appears that only the form of transactions has been preserved and their uses have not been controlled.

Then, more important is transactions "becoming Islamic." If those in charge are asked whether the transactions are religiously lawful and correct, perhaps fewer than 10 percent believe that they are proper and are being implemented according to regulations. Therefore, if "a law" does not have an executive mechanism, the law itself is objectionable, because the law is not a philosophy or a theory, whose truth and falsity has been proved with reason, but rather the law is a means by which work is done and by which social relations are ordered. If it cannot perform this responsibility, it certainly must be revised.

Therefore society has not reached its goal with the present law. Even though it may not conflict with religious law (which it does not), but this is only one of 100 Islamic Banking laws that could exist and not conflict at all with religious law. If the law was written from the legal point of view in such a way that the guidelines written for it do not take the lawmaker to his goals, these aspects and problems must be studied and practical solutions must be presented.

* 'Asgar Owladi Editorial on Banking Matters

93LA0242A Tehran RESALAT in Persian
4, 6, 7, 8, 9 Sep 93

[4 Sep pp 1, 20]

[Text] Has government monopoly of banks been useful and is it still useful?

We would like to honor Banking Week and congratulate all the sincere and committed officials of the banks and in doing so take advantage of the opportunity to critically review the banking issues in the Islamic Republic from a particular angle under the present circumstances. We ask God to guide and help us to attain what is good and in the interest of this great nation, which is unmatched in the history of Islam, in the exchange of opinions and ideas, God willing.

In the few days that we have spent on banking issues and banking in the sacred regime of the Islamic Republic, in the media, including the Voice and Vision and newspapers, as well as at bank receptions and in speeches, we have discussed the advantages of a special government monopoly of banks to the point that some have dared to allow themselves to consider the religious jurisprudential forms that were presented by the revered religious jurists and the anxiety of the Islamic scholars irrelevant on the basis of their academic and executive experience and have rejected them. They complain to the newspapers about the criticism and ask them to offer a bill that reminds one of what a poet once said: You have spoken of all its faults, now also speak of its good points.

On the contrary, here, the advantage of the government monopoly of banks has been stated, and the good points of the government management of banks have been enumerated. Hence, within the climate of the Islamic Republic, we must be permitted to speak about the disadvantages of such a monopoly and the economic detriment of such management in order for the government monopoly of banks that has not even been useful in its birthplace not to be imagined to be useful here and that it not appear as divine inspiration.

Of course, there is no doubt that the implementation of such a monopoly in regards to banks is the result of Article 22 of the Constitution of the Islamic Republic, but the conditions that follow the same article are worthy of note. To start the discussion, we shall review the above-mentioned article.

Article 44. "The economic system of the Islamic Republic of Iran, with organized and proper planning, is based on three sectors: governmental, cooperative, and private.

"The government sector includes all large industries, parent industries, foreign trade, large mines, banking, insurance..."

"Ownership in these three sectors is supported by the law of the Islamic Republic as long as it conforms to the other articles of this chapter, is not outside the boundaries of Islamic laws, promotes the economic growth and development of the country, and does not harm the society. The details of the regulations and the domain and conditions of all three sectors are determined by law."

Here, only two questions can be discussed.

First, has the government monopoly of banks promoted the economic growth and development of the country?

Second, has this monopoly not harmed the society?

During Banking Week, indeed there should be the opportunity to make such an investigation, and for the honorable president and the honorable government, based on the duty of full implementation of the Constitution, especially under the conditions of writing the Second Five-Year Plan, it is appropriate to take a special look at the effects of these monopolies, particularly with regard to the banks and insurance.

The deputies of the Majles also, from a supervisory standpoint, are responsible to make the appropriate preparations to examine the effects of these monopolies. The honorable Council of Guardians, as well, from the standpoint of guarding the Constitution, preserving its values, and giving the necessary reminders concerning the examination of the obtained effects, has its responsibility. In short, everyone, especially the media, has a responsibility. In our investigation, we might reach the conclusion that the Majles and the Council of Guardians, through collective work, evaluate the effects of these monopolies directly or through specialized and committed experts. God willing, we shall reach the desired comprehensive result, which will undoubtedly have a determining effect on the perfecting of the Second Five-Year Plan, God willing.

[6 Sep pp 1, 16]

[Text]

Bank Monopoly, Insurance Monopoly

Is it reasonable to expect growth and development with government monopoly of banks and insurance. In the beginning, it must be admitted that the self-sacrificing acceptance of responsibility by the honorable president at the start of the last term, that is, the fifth presidential term, is most astonishing and praiseworthy and, in terms of accepting responsibility, unmatched in kind. No other motivation but faith in Almighty God, strong belief in the Day of Resurrection, love of Islam, and full belief in the imamate and religious guardianship can make a human being accept such danger in accepting a responsibility. May God protect him and keep him successful. But in the second term, which is a more sensitive phase than his first presidential term, all the forces of the country must accept the responsibility for solving problems and facilitate the course of the movement, and no person, institution, organization, or branch of government should hesitate in any effort. This is a determining phase, which will require a great deal of energy and power and most important will require the very strong will of the Islamic nation.

Certainly to achieve actual modification, the people's participation in all areas is necessary, especially in economic areas, and particularly investment in the production of basic and necessary goods for the public welfare.

Undoubtedly, the return on investments in production can naturally be achieved slowly. Some of the characteristics needed in production investment are pointed out here:

1) Large-scale capital and the expectation of low profit.
2) Judicial security.
3) Economic security.
4) Political security.
5) Capital support (banking facilities).
6) Safety from dangers and incidents (insurance services).
7) Government support for production (the labor law and the protective regulations and bylaws).
8) Export and import regulations to encourage exports and prevent destructive imports.
9) Tax and insurance discounts.

Of course, out of the nine characteristics enumerated, seven require no explanation. In regards to items 5 and 6, a brief explanation seems necessary in this discussion.

Concerning capital support (banking facilities), the following brief and necessary explanation is: No investor in the production sector has all the needed capital or will find it expedient to leave all his capital stagnant and without profit. He puts a percentage of his property in investments and, as for the rest, by buying on credit, finding a partner, and getting loans, relies on the capital of others, because the risks and vulnerability of production investments are high, and the investor cannot be expected to personally risk all he has.

In such cases, the banks support the investor when he is vulnerable with banking facilities, and the more open the economic environment for competition by banks, the more the investor will invest in the production sector that has better protection.

By way of contrast, if banks are under government monopoly or are under the monopoly of a small number of connected rich people, the investor will not have protection in the production sector and will not have the coverage to accept the full risk, except for the government organizations or affiliated owners of capital, and the people's participation in the production sector approaches zero, especially if the banks by the centralized government bylaws compete for more profit, which is the case at the

present, unfortunately (as the good news of 600-percent profit was reported during Banking Week!).

The competition of the banks for more profit on the basis of a single bylaw will promote all or a major part of bank investments towards trade and the stock market, that is, simple, false, harmful, and inflationary jobs, as is quite clear to those with insight. On the other hand, on the same percentage of funds that the government allocates in the annual programs for the government production sector, which is less profitable, the government itself accepts the profit deficit and pays it to the banks. Such investments cost a great deal for the government and the nation, because the government monopoly of the banks raises the cost, and if some solution is not found rapidly and sound competition does not replace monopoly, not only will people not be inclined towards production, but some will be encouraged to leave the trouble of production for the trouble-free profit of the bank. Paragraph 6 is safety from dangers, incidents, and accidents (insurance services). The brief explanation in this regard is that if the investor can risk in all the areas that were enumerated or find a partner or find support through loans, still there are the unpredictable and unavoidable dangers of destruction or natural incidents or accidents. It is at this stage that insurance services can turn anxiety to safety, and competition between insurance companies can make insurance requirements easier and increase the inclination towards investment in production for the people. But, if insurance is too involved in government monopoly or in the monopoly of a wealthy profiteering organization, every day the cost of the insurance company or companies will increase. Consequently, insurance premiums for the production investor will create another anxiety, especially if government insurance delays compensation for damages and takes advantage of government and monopoly power not to pay or reduce and delay payment. In the conclusion of this section, it must be admitted that if we want the people's investment in production, and indeed no other lever can be stronger in the actual modification than the acceptable participation of the people in production, bank and insurance monopolies must be changed into controlled competition. Otherwise, with the government monopoly of banks and insurance, there is no possibility of reasonable growth and development. Even though, if the system is directed toward examination of these effects, most probably these monopolies will not only not cause economic growth and development for the country, but will harmful to society, especially in terms of public production investment.

[7 Sep pp 1, 20]

[Text] Certainly one of the characteristics of the Islamic revolution is the political participation of the people, based on faith, in various affairs and in all areas and scenes, and this is the characteristic of the Islamic revolution and regime for all the free people of the world. In particular, the downtrodden and the oppressed in all parts of the world have fallen in love and are falling in love with the Islam of anti-oppression and anti-oppressors.

In our time, the inclination towards Islam has been unprecedented in quantity and quality since the dawn of Islam and every day acquires new dimensions, and we must thank God for all this blessing and grace.

Because of this characteristic of Islam, the Islamic revolution, and the Islamic Republic, all the monopolists of the world and all the oppressors and dominators oppose this ideology, religion, and ideal with all their being and resources.

Yes, Islam is the religion of opposition to monopoly and the religion of the participation of people in all areas. Monopoly, which is necessarily opposed to the people's participation, consists of two specific kinds: first, government monopoly, and, second, monopoly by the dominating rich.

The nature of both opposes the people's participation, but the first example, government monopoly, can be humane, especially under harsh conditions in society. But the second example is nothing but the accumulation of and ultimately the worship of gold.

There is no doubt that monopolies, including the government monopoly of banks and insurance, exist. At the beginning of the Islamic revolution, global hostilities, internal agents, and threats of the known and unknown misuses made our thinkers and legal experts oblige the government to have certain monopolies. We must not doubt that this action in the first period of the revolution and the imposed war was in some respects necessary and in some areas expedient. But since the time of reconstruction and the conditions of construction and the period of modification, along with social justice, especially in the course of inviting people to fully participate, there is no need to continue the above-mentioned monopoly. Rather, it is expedient for the popular and sacred regime of the Islamic Republic to open up the grounds for the participation of the people in all areas.

Perhaps it is necessary to speak briefly on the harm that the oppressed people in the world have suffered from these two kinds of monopolies, which is, some of the combatant thinkers of the world in fighting the monopoly of the bullying rich of their country and region have arranged fights and broken the monopoly of the gold worshippers and have made their oppressed people captive to government monopoly. On the contrary, some of the other thinkers have felt that their people suffer from government monopoly and have consequently fought to break that monopoly and have made the people who are freed from government monopoly capture the plundering monopolies of the gold worshippers.

If we review the teachings of our late Imam, in the lesson on people participating in religious and political affairs, we will find that the Imam organized the participation of the people in political affairs in such a manner that it

resulted in the rule of Islam. He did not allow the Easternized intellectuals to bring the people who were being freed from the evil of the dependent tyrant under the shackles of Eastern domination and also prevented the Westernized intellectuals from making our people dependent on the West. In Shahrivar 1357 [23 Aug-22 Sep 1978], he endorsed the slogan, neither East nor West, but Islamic Republic. One of the slogans of the martyrs of 7 Shahrivar [29 Aug], may God grant them a place in Paradise, was precisely this.

This teaching of the Imam showed that the political system can be established in such a way that it is dependent on neither the heathen East nor the infidel and aggressive West. Certainly, the economic system of the country can be made to rely on the people's participation, which is neither an imitator of the economic formulas of "government ownership" nor does it use the policy of "Western privatization" as a model. As the grand leader pointed out, in our economic activities, social justice must be the goal of our efforts. In other words, we should have neither a centralized government system nor consider the modification of the prescription of the West a cure. It is deserving of our divine Islamic government to have the people's participation and move towards real modification, of course, by opening up the closed areas for the presence and participation of all the people, not that economic modification should open the way for a new monopolist class, in which case we should not bring our people out of the frying pan and into the fire.

One of the advantages of the appearance of our guardian, the Imam of the Age, is the establishment of social justice. This is a directive for the moment of the sacred regime of the Islamic Republic towards social justice, which, according to the Imam, this regime has been established to prepare for the appearance of his holiness. Preparing the grounds for the participation of the people is the first step on the course of social justice.

Of course, two other arguments are necessary: First, how can the movement towards the creation of a single foreign currency rate have the necessary results and, in the sacred country of the Imam of the Age, the rial be the only determined real value in transactions? Second, how can modification be carried out to result in the social justice of pure Mohammadan Islam?

[8 Sep pp 1, 16]

[Text]

Necessity of Creating a Single Foreign Currency Rate

One of the indications of the economic stability of every regime and country is the standard of the value of its money, in order for every domestic product and service and all foreign goods and services be measured on the basis of that monetary unit. Especially in the sacred regime of the Islamic Republic, which itself has standards of value, if the standard of value of production and services is foreign currency or foreign currency has different prices vis-a-vis the currency of the Islamic Republic, we cannot claim economic stability, let alone economic independence.

Whenever foreign currency vis-a-vis the domestic currency moves toward a single rate, it can be claimed that the regime is moving toward economic stability, and in proportion to the proper velocity of the movement, there is hope of reasonable economic independence.

On this basis, after the sacred defense and the passing through the [period of] neither war nor peace and the start of the reconstruction and construction period, the regime must move towards economic stability in order to prove its economic independence.

One of the reasons that accepting the responsibility was difficult at that time was that everyone who has the readiness to accept executive responsibility must prepare himself for self-sacrifice for Islam, the revolution, and the Islamic Republic, because overall reconstruction without foreign aid and with the disruptions of the Satanic powers was a grave and unprecedented task, all of the dangers of which cannot be predicted, let alone prevented.

At the start of the first presidential term of Ayatollah [as published] Hashemi-Rafsanjani and the establishment of his first government, foreign currency in our country had at least five rates, and we had to move towards a single rate, because under the foreign currency rate, there was no need to prove that domestic money was worthless. To clarify it better for our young generation, we will enumerate some examples of the multiforeign currency rate vis-a-vis goods and services.

1) The price of foreign currency for essential goods (only government-rate foreign currency).

2) Price of foreign currency for treatment, medical services, and medical equipment.

3) Price of foreign currency for raw materials and parts of production equipment.

4) Price of foreign currency for necessary goods and services.

5) Price of foreign currency for consumer and luxury goods (open market foreign currency).

After the formation of the government and investigation and consultation, the honorable president started a brave action in creating three foreign currency rates as a gradual movement, foreign currency presented under three names and three rates.

1) Government foreign currency.

2) Competitive foreign currency.

3) Open-market foreign currency.

Even though in the beginning some fluctuations were created and the protest of the shortsighted and superficial thinkers and the misuse of the foreign enemies was about to show some tensions here and there, the wise leadership of the guardian of Muslims and the perceptiveness and alertness of the president prevented any sort of tension or wrong move. By late 1371 [21 March 1992-20 March 1993], it was moving towards normalization, when the 1372 [21 March 1993-20 March 1994] budget was discussed.

Because the movement towards a single foreign currency rate must have a new phase of graduation, various opinions concerning the speed of the creation of a single foreign currency rate in the budget were expressed. Some believed that the three rates must change into one rate immediately, and some thought that it must be changed into two more modified rates. Some who were worried about two foreign currency rates and about high prices believed that it should remain as three rates. As a result of consultation between the government and the Majles and discussions, research, and guidance, as well as the directives of the grand leader, the president and the Majles decided to organize the movement in a manner that would change foreign currency to one price and only essential goods, medicine, defense needs, and fuel would be calculated at the government rate, with a little change until better conditions exist. Even though the single foreign currency rate was announced in appearance, in practice we have a dual foreign currency rate:

1) Price of foreign currency for essential goods, drugs, etc.
2) Price of foreign currency for other needs.

This gradual movement at the start of 1372 [21 March 1993-20 March 1994] brought along small and large problems, which were corrected with patience, forbearance, and modification. After the presidential elections and the establishment of the new government, the discussion concerning the Second Five-Year Plan is becoming more serious. Because at the start of the Plan, in the predictions, projections, and presuppositions, the actual single foreign currency rate seems certain, the sign of a tangible and heavy high price can be anticipated, and the necessity for the solidarity and cooperation between the Majles and the government and the coordination of the media and the strong national will of our resistant and God-seeking nation is felt more than ever before. In particular, our young generation must work harder and more alertly in this arena, because it contains the glory and public welfare of their own future and that of future generations.

To assess the issues discussed, it can be said: The president, the government, and the Majles, with the directives of the grand leader, have reduced the five rates to less than two rates [as published]. In order to complete this gradual struggle and reach an actual single rate, the strong will of the people is necessary, so that we will be able to pass through this dangerous pass as well, with work and effort, conservation, and resistance, with the help of God, and announce to all the oppressed and deprived people of the world that any God-seeking nation with a strong will can make up for its honor, dignity, and damaged greatness in all areas, without foreign help.

Of course, it is necessary to explain that the creation of a single foreign currency rate is harmless if sound and true employment grows at an acceptable level, if the rate of unemployment comes to its lowest level, and if the general income of the people can tolerate a high percentage of increase in prices. Such conditions cannot be created except through the full participation of the people. Such participation is a sign of social justice. Even though the necessity of the creation of a single foreign currency rate, and for the rial of the Islamic Republic to find its actual value, is understandable, the people's participation is known to be the most effective factor, God willing.

[9 Sep pp 1, 16]

[Text]

Necessity That the Officials Believe in the Participation of the People

The certain principle in the complete success of any program is the belief of the implementor in that program. Concerning the prophet who wants to carry out the mission of the last Prophet, the Koran makes clear the strong faith and belief of His Holiness in what has come down to him from God and the fact that the faithful who accompany the prophet believe in God, the angels, the books, and His prophets.

This principle is certain, that the belief of the Prophet and the faithful resulted in the complete success in carrying out the mission, and the condition for the success of the faithful at every age and time in implementing Islam was their strong faith in Islamic beliefs. Perhaps one of the reasons that reading this highlight of the Koran is recommended after the nightly prayers is that it is a reminder of the point that every day and night the worshippers note and are reminded that the secret of the success of the Prophet and the faithful in implementation was in their belief.

Hence, it can be said that certainly the minister in the regime of the Islamic Republic and the headquarters of the ministry and the internal cabinet and the main managers must be strong believers in the regime and the plan in order for correct and Islam-pleasing implementation to be possible, and for their work not to harm the revolution by building up appearances and displays without content. For example, several issues can be enumerated, towards which the grand leader, the president, the government, the Majles, the Judicial Branch,

and the martyr-nurturing nation are negatively sensitive, which appear in some ministries or central offices or affiliated organizations. They include:

1) Tangible bureaucratic corruption.
2) Openly creating discontentment.
3) Being unconcerned about observing veiling and modesty.
4) Insults and ill-tempered treatment of subordinate colleagues.
5) Flattery and insincere praise of a superior.
6) Uncontrolled spending (waste and luxury) of the Treasury. God forbid, if all or some of these cases or at least one of them exist and continues in a ministry, it is a touchstone that is related to the faith of the minister or his deputies and main directors, or all of them, and shows the inability or at least lack of knowledge of the issues of the ministry or organization, each of which is unfortunate.

The conditions for the start of the activities of the new government require fresh attention and effort, in which the honorable ministers, by appointing the deputies and principle directors or reappointing or changing them, must have faith in what they are to carry out or supervise, guide, and control. The preservation and maintenance or appointment of a cadre that does not believe in its duties, whether based on factionalism or in accordance with personal feelings and relationships, is to betray the blood of martyrs.

Another example in encouraging the participation of the people in economic affairs, especially in production areas, is that the honorable ministers of economy and production must have a fresh approach to the deputies and principle directors of the ministry and related organizations. If their colleagues do not believe in the participation of the people or are incapable of such tasks or do not make the necessary effort in practice, they must be changed and replaced by better ones. They must pave the way for modification along with social justice and know that delays in the participation of the people will have irreparable damage.

Of course, it must not be considered that the sale of a percentage of the shares of certain companies means the participation of the people, because most buyers are the institutions or their affiliated companies and pseudogovernment companies. The sale of company shares while preserving government management cannot be considered public participation, and it cannot be expected to be welcomed by the people, because the major damage of production companies is due to government management methods, and those people who are eager to take part in productive work cannot trust and have the necessary belief in government management.

In conclusion, he asked God to grant success to all the servants of the sacred regime of the Islamic Republic in obeying the instructions of God, His prophets, the infallible imams, and the deputy imam of the age, and under the sensitive conditions of the country, the religion, and the Islamic world and international conditions grant us success in doing our the best.

* Hoseyn Abrand-Abadi Comments on Usury Versus Interest

93LA0253A Tehran RESALAT in Persian 15, 18 Sep 93

[15 Sep p 15]

[Text]

Is Interest Different From Usury?

The touchstone for the prohibition against usury and proving usury is that in lending, a condition is made for a certain additional amount. Regardless of whether it is called interest or usury, the prohibition against interest and usury is definite in both cases.

Usury is one of the issues that has a significant effect in determining the basis of the economic system. At present, the global economy on the whole operates on the basis of usury, and usury mechanisms determine the monetary, financial, and investment relations in the world. Also, at the time when Islam appeared, usury was rooted in all the economic relations of the time.

The first time that the Koran spoke of usury, the heinousness of usury and practicing usury, it was posed to the Muslims, (1) then the practice of usury by the Jews was raised; (2) and in the third phase, open usury and receiving compound interest was prohibited; (3) finally, usury was prohibited and the continuation of usury was regarded as war against God and the Prophet of God. (4) Usury literally means greater addition (5) and according to religious locution, it is an expression of unnecessary excess, which according to religious law is prohibited (6) the word interest means profit and growth of wealth (7) and in the idiom of the banks is the value paid with regard to the use of money. (8) In other words, interest is the total value that a certain amount of money brings within a specific amount of time on the basis of an interest rate. Hence, in order to determine interest, the amount of money must be multiplied by the time and the interest rate.

But, despite the fact that interest and usury are synonymous, some economists, and those involved in banking affairs, distinguish between interest and usury and believe what has been prohibited in Islam is usury and what the bank gives to depositors is interest and is not prohibited.

An economist writes about this matter that (9):

"Usury is undoubtedly prohibited by Islam.... In the course of history, when lending and receiving an additional amount was prohibited, banks in their present sense did not exist.... Prohibition against usury was eliminated from the time that banks were created, and even its rate was left open. Why? Because what was called usury...is true only in regards to ordinary persons, not legal persons, such as banks. In any case, after the new banks were formed, the term usury in Persian and French acquired a particular meaning, and interest was used in regards to banking operations."

This kind of interpretation has its roots in the distant past, in other words, when a part of Europe was under the control of Muslims. At that time, European Muslims who saw the advancement of capitalism, and parallel to it they were attracted to the progress in industry and trade, on the one hand, considered new banking necessary for the advancement of industry and trade and on the other faced the problem of usury. Hence, some thought that the interest on which new banking was based was not usury. On the contrary, some believed that interest was the same as usury and, hence, the idea occurred that if this is so, new banking must be eliminated.

The intellectual conflicts between these two groups caused them to derive the justification that usury is initial lending, which is for consumption, but in new banking, borrowing is for production and affects the creation of profit. They concluded that since the interest is the unit of using money in production activities in new industries and trade, it is not prohibited, because the borrower invests with the borrowed amount in new industries and commerce and gains a profit. Hence, a share of this profit must be paid as interest. From this, it was concluded that what the Koran has prohibited is usury and not interest.

At the present, too, in some implemental regulations of banks and speeches of the banking officials, the term interest is used, whereas the truth is that usury and interest are no different from one another, because: First, interest is the Persian translation of usury in Arabic.[10]

Second, the touchstone for determining the prohibition against usury or proving usury is to have a condition in lending for an additional amount of money. Now, regardless of whether it is called interest or usury, the argument is not about terms, the touchstone of the prohibition against interest and usury is definite in both cases.

Third, usury at the time of the prophet also existed in regards to lending for commercial, trade, and production affairs.

Fourth, in new banking in the world, the consumer loans are also charged interest. In any case, it is certain that from the viewpoint of Shiite religious jurists and the majority of Sunni religious jurists, (11) there is no difference between usury and interest and any additional amount to the principle of the loan, whether we call it interest or usury, is prohibited.

Footnotes

1. Verse 39, Rome Surah.

2. Verse 161, Nesa; Surah.

3. Verse 130, Al-e Emran Surah.

4. Verse 278, Baqareh Surah.

5. Jowhari, AL-SAHHAH, Vol. 6, p. 2349.

6. Imam Khomeyni, TAHRIR AL-VASILEH, Office of Islamic Publications Affiliated With the Society of Teachers of Qom Seminary.

7. Firuzabadi, QAMUS-E MOHIT, Vol. 4, p. 326.

8. Golriz, Hasan, [Dictionary of Banking Terms], p. [as published].

9. Dr. 'Ali Akbar Madani, KEYHAN, dated 4/5/1359 [26 July 1980].

10. Interview with Ayatollah Meshkini, KEYHAN, 26/11/1359 [15 February 1981].

11. Some Sunni religious jurists in Egypt, especially at the Al-Azhar University, distinguish between interest and usury. Their reasoning is as mentioned in the text of the article.

[18 Sep p 15]

[Text]

The Importance of Supervision in Interest-Free Banking

Supervision means "attention to affairs." In interest-free banking operations, the element of supervision is one of the main elements in the allocation of resources. In Article 20, of the interest-free banking operations law, the legislative bill on the administration of the affairs of banks and the monetary banking law of the country, the issue of supervision has been emphasized.

The essential importance of supervision in banking operations stems from the issue that granting funds in new banking is very different from for interest banking, such that the use of the funds is important to the bank, where as. In for-interest banking, the bank is not concerned with what the loan is used for. What is important is for the borrower to be able to return the principle and interest on the loan in regular installments. But in interest-free banking, funds are granted to applicants on the basis of economic activities at various rates. Hence, supervision, as one of the main elements of banking operations, can convince the banks that the granted funds be used for the intended purpose or in another activity.

The above-mentioned supervision in banking operations has numerous stages:

1) Supervision by the Central Bank over the banking system.

2) Supervision by the bank over the procedures of the interest-free banking operations.

3) Supervision of the bank over the distribution and use of granted funds.

The supervision of the Central Bank over the interest-free banking system also guarantees the soundness of the

operations and avoids any suspicion of usury in mobilizing and allocating the resources. In the branches of the banks, if the procedures in the writing of contracts and, on the whole, the granting of funds are sufficiently supervised to ensure that they are in accordance with religious and legal regulations, the possibility of the occurrence of usury in banking activities decreases tremendously.

The supervisory operations begin with the Central Bank, continue in other banks, and are ultimately completed through supervision over the use of funds. Supervision over the use of funds prevents the applicant from using the amount received for other uses, and in this manner the purpose of the bank is secured.

Because of the nature of Islamic contracts, lack of supervision by the bank causes us not only not to achieve the goal of granting funds within the framework of Islamic contracts, but even do the opposite.

Supervision over proper use of funds effects significantly the return of the funds on time and discovery of deviations.

Careful supervision causes the statistics concerning the remainder of the granted funds within the framework of each contract and the share of each economic sector not to be false. The weaker the process of supervision from beginning to end, the more false will be the statistics concerning the remainder of granted funds in each sector.

But despite the importance of the element of supervision, this important matter faces numerous implemental problems at the present time, including: The large number and variety of Islamic contract transactions.

The vast amount of work for the bank employees.
Lack of expertise of bank employees in various tasks.
Lack of essential change in the implemental system of banking operations.
Supervisory weakness of the Central Bank.
Lack of specialization of the activities of the commercial banks.
Competition between banks.
The high cost of supervision.
Violations by customers in using connections.

In addition to the above-mentioned issues, the existence of the incentive policy of the Central Bank and [other] banks to encourage granting more and not granting better funds and not losing customers compounds the problems.

Even though specialization training of employees involved in granting funds is considered a positive step in this regard, because of the preference for the volume of funds granted over their quality and purpose in the banking system of the country, lack of fundamental change in the implemental organization of the banking network, lack of penal codes for violators, and the activities of commercial banks not becoming specialized in one particular commercial activity, are among the most critical factors in the weakness of supervision over interest-free banking operations.

* Distribution of Credit by Banking Sector

93LA0254A Tehran RESALAT in Persian
14 Sep 93 p 15

[Article by Majid Esfahani: "The Banking System and the Failure To Distribute Credits in the Best Way"]

[Text] When the slightest criticism of Islamic banking without interest is raised, banking system officials react immediately, and, on the grounds that they have executive guidelines and related agendas, they try to defend the approval by the Guardian Council of the Banking Without Interest Law and its confirmation by the late Imam (peace be upon him), yet the critics do not explicitly object in principle to the legality of the Islamic banking system or have problems with it. Their criticism is directed more at the performance of the banking system, which in many instances is alien to the spirit of the Banking Without Interest Law.

There are many valid objections to the method of implementing the Banking Without Interest Law with which we will not deal here. What is more important than anything else is the matter investmenting and allocating resources for productive investment.

Without referring to specific instances that show extensive banking system investment in infrastructure, banking system officials, in discussing extensive banking involvement in infrastructure project, mostly just give out statistics and numbers that are highly questionable in many cases. In this way they put insiders and especially the public at ease, telling them not to worry because the banking system, by pooling their small savings accounts, has created conditions for the start-up of a significant number of development projects. However, these kinds of statements do not provide the needed evidence and even contradict reality because in practice even this type of banking system cooperation in key projects is not pursued in some cases, appearing only as a symbol of cooperation and not in the form of real help from the banking system with the implementation of key and infrastructure projects.

Few speeches by banking system officials fail to mention the limited number of infrastructure projects such as the Qazvin-Zanjan-Tehran-Saveh-Sad-e Tajen highways and also the Tehran metro as symbols of banking system cooperation in implementing infrastructure projects, but these are also contradictory and do not take reality into account. For example, banking system officials mention the fact that the total credits given to all economic sectors in the year 1371 [21 March 1992-20 March 1993] was more than 28,000 billion rials [Rls], yet all the projects that went into use as the product of mutual cooperation in the seven years since the banking system began injecting money into them have actually received perhaps less than Rls100 billion.

Banking system officials are ignoring the reality that despite having all the necessary legal means, instead of pouring financial resources into productive activities, they have stoked the fires of unbridled imports and have created a situation where today we see the failure to open foreign exchange credit accounts even for the most necessary goods.

Banking system officials do not mention the fact that due to their bad management, hundreds of billions of rials have been invested in the Tehran metro project and the Tajen dam, while tens of smaller projects are stagnating and dormant or completely out of service because of the failure to allocate financial resources in time.

The thriving commercial and financial activities and the stagnation of producing activities itself shows the banking system's lack of success in channeling resources towards useful and productive activity in the nation's economy.

While it has given every kind of cooperation to promote the import of consumer goods, the nation's system has missed no opportunity to put pressure on the producing sector of the economy. The failure of reciprocal sales contracts; the continued failure of foreign exchange credits for imports of investment goods, such as the project to develop the Esfahan iron foundry; the south Tehran, Arak, and Kerman electrical power stations; the Karun 3 dam; the Karun paper mill; and the Khuzestan sugarcane development projects; and hundreds of other examples are a few of the truckloads of failures, which can be attributed to none other than the banking system.

In short, in the area of making the best allocation of resources, which is the most basic goal of the banking system's economic officials, not only has the banking system been unsuccessful, but also due to the malfunctions caused by weak policy, a situation has been created that has caused financial resources to be directed towards unproductive economic activities. God willing, through more principled management, these kinds of shortcomings will be eliminated and the best distribution of credits, which is the considered the most basic goal, will occur in a more real way.

* Operations of Gilan Province Agricultural Bank Detailed

93LA0246A Tehran RESALAT in Persian
13 Sep 93 p 14

[Unattributed article about Engineer Reshad, general manager of the Agricultural Bank of Gilan Province]

[Text] The Agricultural Bank, as the only specialist bank in the agricultural sector, plays a basic role in providing credit means and laying the groundwork for needed investments.

Engineer Reshad, general manager of the Agricultural Bank of Gilan Province, gave an interview to our correspondent on the occasion of Banking Week. In discussing the above, he said: The bank's goal is to give means that are compatible with the nation's development goals in the various agricultural sectors and to help farmers and producers in the agricultural sector to increase production and revenues and to raise the standard of living of farmers.

He noted: In implementing the above goals the credit orientation of the bank in the province of Gilan, in view of the region's cultivation policy, is mainly towards the province's rice farmers, and it distributes the necessary credits in this area. An effort is made in the cultivation of rice, which is the region's main crop and what is grown in most of the province, to distribute credits for current expenses and investment costs.

He explained: To meet the current expenses of rice farmers, every year before rice cultivation begins, in accordance with the organizational plan, the needed credits are studied and the needed means for cultivating rice are given to farmers. Every year after the first of Dey [22 December] rice growers go to the bank and get the means they need.

Continuing the interview, he discussed the investment expenses connected with rice. He said: The needed credits are studied, and to implement the various projects, including the construction of rice threshing factories, the purchase of machinery used to grow rice, grading land, digging canals, water affairs and other things, the means are paid to those implementing the projects.

The general manager of the province Agricultural Bank also said: This bank now has 29 branches, five booths and 29 agencies in province rural cooperative companies. To reach the goals of the Agricultural Bank, one of the bank's programs is to develop its branches. In the last five years, the number of branches has increased from 15 to 29. This year six more branches will open, bringing the total number of branches in the province to 35.

In part of this interview Engineer Reshad, general manager of the Agricultural Bank, said: In view of the implementation of the new credit and monetary policies, which were sent out in 1370 [21 March 1991-20 March 1992] by the Central Bank, obtaining the new monetary resources has taken on special importance because of the expansion of credit operations, in such a way that to procure the financial resources needed in the agricultural sector, attracting public deposits has been designated as one of the bank's main areas of focus. While retaining its specialist dimension, the bank has taken the necessary steps to provide needed banking services to compatriots. Already the branches of the Agricultural Bank are prepared to provide full banking services to our dear compatriots.

He said: Fortunately, our dear compatriots have received the banking services very well. Most of the

farmers and dear citizens have gone to the branches of the Agricultural Bank, opened current expense accounts and made large deposits. In the same regard, he added: Building financial resources by attracting public deposits and the willingness of our dear compatriots to make deposits in this bank can play an important role in the growth and development of the nation's agriculture. In this regard the people can receive allocated prizes for depositing their savings in the branches of the Agricultural Bank, and they can also share in the profits from the implementation of agricultural production projects. In addition to that, there will also be the spiritual reward.

Engineer Reshad discussed the means paid by the Agricultural Bank in this province. He said: In the first five months of the current year [21 March-22 July 1993] there were 11,847 payments totaling 25.8 billion rials [Rls]; Rls5.7 billion of the above credits were from Note 4 of the Budget Law and were paid to 43 rural cooperative companies to meet the costs of buying fertilizer and pesticides and were then paid to farmers.

Of all the activities of the Agricultural Bank for the 1371-1372 agricultural year, from Dey 1371 [22 December 1992-20 December 1993] to Khordad 1372 [22 May 1993-21 June 1993] for the cultivation of rice, more than Rls20 billion was paid for the costs of growing rice, including procuring the necessary fertilizers and pesticides.

He then mentioned the bank's accomplishments for the year 1372 [21 March 1993-20 March 1994] with regard to agricultural production projects. He added: In the first five months of the year 1372 [21 March 1993-22 July 1993], 105 projects (with more than Rls10 million in means paid in rials with investment of Rls16.466 billion) were implemented. To implement these projects Rls7.744 billion in means was paid. He noted: In the 1371-1372 agricultural year insurance contracts were signed with 9,464 rice growers and 18,806 hectares of rice fields were given coverage by the insurance fund. So far, for damages caused, Rls60.19 million in compensation has been paid to farmers who have suffered damages.

In part of this interview Engineer Reshad said: In the 1372-1373 [21 March 1994-20 March 1995] agricultural year the Gilan Province Agricultural Bank intends to take steps, God willing, to provide insurance fund coverage to all the cultivated rice in the province. In this regard, as of 1 Aban [23 October] the dear farmers may report to the Agricultural Bank branches and sign insurance contracts to insure their rice fields.

The preparation of a rice insurance contract is done with a minimum of formality. It is based solely on the farmer's declaration of the amount of land he has. The contract is prepared in less than five minutes. It is hoped that the rice farmers in Gilan Province will welcome this government support program in order to continue their activities in the agricultural sector with peace of mind.

Continuing his remarks, the general manager of the province Agricultural Bank noted: Along with its economic activities, attention to sports programs for rural people to promote and maintain rural health is another new bank activity. The bank's sports programs include holding matches between bank workers and organizing open Agricultural Bank cup rural wrestling matches and field track. This year we saw the third round of open Agricultural Bank cup wrestling matches for rural people in the province. In this round of matches more than 700 rural people in 14 province areas took part. The final match was held during Banking Week with the participation of 140 rural people in the city of Rasht, and prizes were also given to the winners.

* Computer Network To Serve Country's Banks

93LA0246B Tehran RESALAT in Persian
9 Sep 93 p 15

[Text] Dezful—IRNA. By the middle of the year 1373 [23 September 1994], 1,500 bank branches throughout the country will be equipped with the most modern computer communications network in existence.

Dr. 'Adeli, chief of labor for the Central Bank, made the above announcement. He said: The banks are being equipped with this advanced system for the purpose of expediting bank operations, and this is one of the goals of the First Five-Year Plan.

He said: This network covers 80 percent of bank operations and when it goes into operation every depositor will be able to obtain his money within a few seconds by going to a bank branch and giving a code.

Dr. 'Adeli also said: Within a few more months the nation's banking system will be directly and continuously connected to an international computerized banking network. The chief of labor for the Central Bank noted that in the Second Five-Year Plan most bank investments will be in the industrial and agricultural exports sectors. He said: If these two sectors have products that are competitive enough for export, they will be given priority for obtaining means from the banks.